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**GOVERNMENT FUNDING AND INGO AUTONOMY: FROM
RESOURCE DEPENDENCE AND TOOL CHOICE PERSPECTIVES**

A Dissertation
Presented to
The Academic Faculty

By

Grace Lyness Chikoto

In Partial Fulfillment
of the Requirements for the Degree
Doctor of Philosophy in Public Policy

Georgia State University & Georgia Institute of Technology

December, 2009

Government Funding and INGO Autonomy: From Resource Dependence and Tool
Choice Perspectives

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SUMMARY

Examining funded relationships of three disaster relief and development INGOs through the resource dependence and public policy tool choice frameworks, this research explores the relationship between funding and INGO autonomy, with a primary emphasis on government funding. The study adapts Verhoest, Peters et al.'s (2004) conceptualization of organizational autonomy as the extent of an organization's *decision making capacity* in matters concerning human and financial resource management, and agency operations.

This research therefore finds evidence to suggest that relative to other funding sources, government funding disproportionately constrains INGOs' operational and managerial autonomy. This is largely accomplished through various *ex ante* and *ex post* constraints such as, inputs, evaluation and performance controls, audit requirements and various rules, regulations and conditionalities attached to government funding.

Notwithstanding government influence on INGOs' decision making and activities, this research also finds evidence to suggest that relief and assistance INGOs that receive USG funding are able to exert influence on USG funding agencies through a number of strategies. These strategies include influencing program and implementation designs, the art of contract negotiation, revenue diversification, due diligence, and simply walking away from funding sources that constrain their autonomy.

And consistent with Salamon (2002a), this research finds that the funding tools utilized by government to finance INGO's activities influence INGOs' autonomy in varying degrees, thus steering and controlling INGO grantees' decisions and activities.

CHAPTER 1

INTRODUCTION

1.1 Background

The nonprofit literature cites the influence of government funding on nonprofit governance (O'Regan and Oster 2002), and increased nonprofit bureaucratization (Goyder 1994; Commins 1997). In addition, government funding is observed to leave enduring effects on organizational culture and the nature of the services that international non-governmental organizations (INGOs) provide (Smith 1993; Smith 2006; Kerlin 2006a). There is also anecdotal evidence to suggest that government funding influences nonprofit organizational autonomy. For instance, in 2000, in order to increase its freedom “by relying on less exacting funding sources,” Oxfam America turned down government funding (Brown and Moore 2001). And according to its President and CEO, Direct Relief International turned down USAID funding because of the “new requirement that all aid be branded as “From the American People” (Crea 2006). The CEO stated that, “when we [INGOs] get together we love to say we are NGOs, with an emphasis on the ‘N,’ but all we end up doing is talking about USAID” (Crea 2006).

Furthermore, following a decision by CARE to phase out federal funds for food aid, a CARE employee interviewed for the New York Times went on to state that “[W]hat has happened to humanitarian organizations over the years is that a lot of us have become contractors on behalf of the government....It compromised our ability to speak up when things went wrong” (Dugger 2007).

Despite such examples, very little research has been done to measure or understand the concept of “organizational autonomy” in the nonprofit sector. In turn, very little has been done to empirically explore the relationship between government funding and INGOs’ autonomy. In order to understand organizational autonomy in the context of international NGOs, this research adapts Verhoest, Peters, et al.’s (2004) conceptualization of organizational autonomy, as well as the autonomy dimensions developed in the Public Management Institute at Leuven University in Belgium.

Using resource dependence theory, this paper explores the relationship between the degree of INGO dependency on particular funding streams, especially dependence on U.S. government funding (USG), and the effect such dependencies have on organizational autonomy. The study also employs a policy tool choice framework embodied in the ‘new governance’ framework (Salamon 2002a) to explore the relationship between different forms of government financial transfers and their implications for international NGO autonomy

The government-INGO exchange relationship is embedded in a U.S. foreign policy environment in which direct relief and development INGOs operate. Historically, U.S. foreign aid policies have tended to be characterized by tension between “diplomatic” and “altruistic or developmental” purposes (Stoddard 2002a; Lancaster 2007). For instance, the threat of Communism during the Cold War elevated the significance of diplomatic ends over developmental ones, such that even when “developmental” aid was provided, the “diplomatic” objective was to prevent the spread of Communism in the poorer parts of the world (Stoddard 2002a; Lancaster 2007). Following September 11, 2001, the fear of Communism was replaced by Terrorism, ushering in drastic shifts in the

U.S. foreign aid policies. As noted by Kerlin (2006a), "...the National Security Strategy introduced by President Bush in September 2002 underscores that, although poverty, poor health and lack of economic opportunity do not lead directly to unrest and terrorism; they can be their precursors."

INGOs as the official implementing partners of government are therefore affected by such shifts. A danger exists that such a policy environment may translate into institutional environments where exchange relationships between government and INGOs are primarily based on fulfilling national interests-oriented goals at the expense of the altruistic goals and objectives of INGOs. As noted by Cho and Gillespie (2006), institutional variations (e.g., changes in policies) and shifts in the political environments (e.g., shifts in priorities) can influence the decision choices available not only to politicians but also to nonprofit decision-makers. As a result, government policies may negatively impact INGOs decisions, as long as INGOs receive government funding. This is not to say that government cannot influence INGO behavior in the absence of a funding exchange relationship.

In light of the policy environments within which INGOs are embedded and the practical concerns that INGOs like CARE and Direct Relief International have expressed, this research sets out to address the broad issue of whether the funding relationships in which INGOs engage, in exchange for resources, have any negative impact their ability to make mission-focused or need-based decisions. This is especially crucial given that, INGOs at times find themselves unable to meet the emergent needs of the populations they serve due to the specifications and constrictions of their grant or contract agreements (Smith 1993; Smith 2006).

The existence of the nonprofit sector has been explained by theories of government and market failure (Weisbrod 1977; Hansmann 1980; Fama and Jensen 1983). Traditionally therefore, nonprofits have been viewed as entities that fall outside the immediate domains of government and markets (Ware 1989; Lancaster 2007). From a de Tocquevilleian perspective, this idealistic distinction and separation of sectors represents a critical advancement for democracy characterized by citizen participation through nonprofit organizations (Gidron, Kramer et al. 1992; Smith 2006; Lancaster 2007). However, in lieu of a three-sector economy with distinct differences between nonprofit organizations, the government and the private sector, others have described a “mixed economy” characterized by blurring sectoral differences (Young 1984; Smith 2006), especially when the ideological independence of nonprofit organizations is threatened by the third sector’s fiscal dependence on government and corporations (Kramer 1985).

Within this context, government funding remains controversial. While some authors have emphasized the dysfunctional dependency of INGOs on government funds and thus recommend scaling them back, others have advocated for greater use of INGOs as public service providers and as official implementing partners of government policies and programs (Salamon 2003; Smith 2006).

This research draws on two theoretical frameworks, resource dependence and tool choice approaches. While a policy tool approach suggests that different funding instruments are selected on the basis of the kinds of behaviors they intend to induce (Schneider and Ingram 1990; Salamon 2002a), resource dependence theory suggests that INGOs adapt themselves to the providers of the particular resources they seek. The

behavior of organizations is therefore explained not only as a function of the critical resources that the organization needs in order to function and survive, but also as a function of the different instruments used to transfer these critical resources.

Concerns for INGO autonomy therefore arise from the particular ways in which the relationship between government and nonprofits institutions is manifested. Coston (1998) points out that this relationship exists in an environment where government enjoys greater power at the expense of and a resource advantage over the INGOs. As applied here, resource dependence theory seeks to explain the funded relationship between INGOs and their financial benefactors through resource exchange and the power asymmetry associated with the exchange process (Oliver 1991; Pfeffer and Salancik 2003). In addition, different funding sources exhibit different institutional patterns, which result in different management requirements on the part of recipient INGOs (Gronbjerg 1993). As such, this theory helps us examine different funding structures (at least from the INGO perspective) since they provide the contexts within which INGO decision-making occurs (Gronbjerg 1993).

1.1.1 Research Questions

Najam's (2000) foundational theory of strategic institutional interests asserts that the nature of the relationship between government and INGOs is based on the convergence or divergence of their institutional interests and preferences. However, the theory fails to identify how these interests and preferences are articulated. This research therefore draws the assumption that different funders such as the U.S. government (USG), foundations and corporations articulate their development interests and

preferences through the rules, regulations and conditions attached to funding. And with respect to USG funding in particular, using Salamon's tool choice framework which assumes that different tools such as grants, contracts, cooperative agreements, generate specific kinds of behaviors from people and organizations, this paper posits that government articulates its institutional interests and priorities by use of these funding mechanisms. As such this research addresses two primary questions: -

- 1) How does government funding influence INGO autonomy?
- 2) What strategies do INGOs employ to preserve their autonomy?

The first question allows one to understand how INGOs have experienced USG funding relative to foundation or corporate funding, with respect to their autonomy. As a result, one gains an understanding of the behavior of different funding sources and their impact on INGO autonomy. Based on the assumption that autonomy loss is taking place, the second research question seeks to understand the strategies that INGOs employ to militate against this loss.

1.2 International Non-governmental Organizations (INGOs)

Nonprofit organizations are private, self-governing, non-profit seeking or distributing, voluntary entities that are organized separately from government (Salamon and Anheier 1996). Such organizations are eligible for federal tax-exempt status. This sector has also been referred to as the "third sector," a term widely used in Europe and in the United States to describe those entities that lie between the market and the state, or those organizations that are constitutionally separate from government agencies and the private enterprise (Smith and Lipsky 1993; Boli 2006).

This research focuses on a subset of nonprofit organizations known as international non-governmental organizations (INGOs) or private voluntary organizations in the United States. These are “nonprofit organizations that make significant operating expenditures across national borders and do not identify themselves as domestic actors” (Anheier and Themudo 2004). Using the U.S. Agency for International Development’s (USAID) definition, INGOs are tax-exempt international private voluntary organizations (PVOs) working in international development, receiving some portion of their annual revenue support from the private sector, as well as voluntary contributions from the general public.

The scope of INGO activities ranges from advocacy, education, and research, to international relief and development assistance. Given this diversity, this research focuses only on disaster relief and assistance INGOs, whose primary activities include economic development activities such as long-term poverty reduction through education and micro credit initiatives, as well as humanitarian assistance initiatives such as responding to natural disasters (Forman and Stoddard 2003).

INGOs have also been described as part of a “global” third sector, one that operates outside of the *global economy* – dominated by transnational corporations and international organizations such as the Bretton Woods Institutions, and the *global interstate system* – centered on the United Nations (Boli 2006). International NGOs therefore, are operational organizations typically headquartered in developed countries and carry out operations in more than one developing country¹.”

¹ <http://docs.lib.duke.edu/igo/guides/ngo/define.htm>

Another defining feature of INGOs is that they have come to play a significant role in the international arena of relief and humanitarian assistance (Forman and Stoddard 2003; Lancaster 2007). According to an annual report from the Office of U.S. Foreign Disaster Assistance (OFDA), over 70 percent of U.S. foreign disaster relief aid was channeled through INGOs in 2000. And in 2008, 55 percent of all OFDA funding went to INGOs, with 57 percent in 2007 and 2006, and 60 percent in 2004². A significant share of OFDA funding is also channeled through UN agencies, the USAID and other USG agencies. It is quite possible that some of these organizations ultimately channel some of this money through INGOs. As a result, in addition to undertaking independent charitable endeavors, INGOs also serve as the official operational arms of government, and multilateral assistance agencies such as the World Bank, and IMF (Forman and Stoddard 2003; Lancaster 2007).

This heightened visibility of, and demand for, INGOs in the international public policy arena has been attributed to a number of factors including the post-Cold War proliferation of complex humanitarian emergencies, the failures of government-to-government aid, and the ineffectiveness and waste associated with multilateral organizations such as the UN and the Bretton Woods Institutions (Stoddard 2002a; Stoddard 2002b; Forman and Stoddard 2003; Grossrieder 2003). As organizations that lie between the state and market, INGOs have historically been regarded as apolitical entities, though their roles have had significant political implications for both international and domestic politics (Ahmed and Potter 2006).

² Annual Report for Fiscal Year 2006, Office of U.S. Foreign Disaster Assistance (OFDA).

The concept of the third sector is also consistent with the de Tocquevilleian view of democratic participation in that ordinary citizens voluntarily organize into self-governing, private associations that are seen to be separate from government, in order to participate in the political economy. In this regard, INGOs are widely recognized as “the chief representatives of and spokespersons for global civil society, and play an important role in the global governance” (Boli 2006). In other words, INGOs are viewed as the principal instruments or mechanisms through which “world citizens” act collectively, to organize, shape, and express world opinion in the global public sphere, as well as foster a global civic culture (Boli 2006).

The work of INGOs therefore, is seen to influence and shape the policy decisions of nations, international organizations and transnational corporations. Consequently, INGOs have come to be regarded as vehicles for ‘democratization’ and hence, a critical component of a flourishing ‘civil society.’ Normatively speaking, INGOs are expected to act as a counterbalance to state power by encouraging participative notions of democracy and promoting pluralism. In other words, INGOs are viewed as distinctive institutions that exhibit motivations and structural preferences distinct from government or the private sector.

Another unique feature of INGOs is that they are funded through a variety of mechanisms – some with a few funders and others with many, some with restrictive contracts, and others with more flexibility. For example, in 2003, 71 percent of the U.S. INGOs’ revenue came from private contributions, 20 percent from government grants, 6 percent from program services and 3 percent was labeled as ‘other’ (National Center for Charitable Statistics as cited in Kerlin 2006). In 2005, based on the 496 U.S. based

INGOs registered with the USAID, 80 percent of INGOs' total support and revenue came from private support i.e., in-kind, and private contributions and private revenue, 10 percent from the USAID (which include freight, donated food, grants and contracts) and another 10 percent from other support i.e., other U.S. government contracts, grants, other governments and international organizations (USAID 2007).

The exchange relationships between INGOs and government have been characterized by increasing bilateralization, that is, more and more funds being channeled for specific countries and for specific purposes and less as unrestricted grants (Randel and German 2002; Forman and Stoddard 2003; Lancaster 2007). As such, the concern remains that government funders can "choose to dictate where and how their contributions are spent" thus undermining INGOs' operational autonomy. The same can be said about foundation and corporate donors as well. Such resource and power asymmetry may adversely affect the flexibility of INGOs and their ability to distribute resources according to their own conceptualizations of need (Randel and German 2002).

The impact of the delicate dance with government, especially on the autonomy of INGOs is one that is not well understood. Much of the debate surrounding government-INGO interaction has largely consisted of an ideological discussion about the ideal role of government in responding to society's economic and social needs. Advocates of a minimal government role in such matters have called for strict severance between government and nonprofit organizations, thus championing the nonprofit sector as the ideal mechanism for responding to social and economic needs. Proponents of a large government presence champion the role of the welfare state, while downplaying the significance of nonprofit organizations. As Gronbjerg and Salamon (2003) point out,

neither side shows interest in the realities of government-nonprofit collaboration on the ground.

The empirical side of government-nonprofit interaction is also fraught with its own confusion and misconceptions given the range of arenas such interactions can occur (Gronbjerg and Salamon 2003). For instance, the government spending arena is one where its spending decisions indirectly affect nonprofit organizations by affecting the need for nonprofit services, and directly – since government is a significant source of nonprofit revenue. Other arenas include, direct and indirect influences through taxation policies, government regulations and the broader policies that government pursues such as the USG foreign policy (Gronbjerg and Salamon 2003).

Thus a research focus on the influence of government funding on INGO autonomy can contribute to the debate surrounding this “conflict that has long existed between the ideological or normative perception of government-nonprofit relations and the empirical or factual perception” (Gronbjerg and Salamon 2003). Such a focus provides some insight on the direct impact of government spending decisions on INGO autonomy.

1.3 Dimensions of Organizational Autonomy

While the questions of INGO autonomy are not new, the nonprofit sector literature fails to provide a concise definition of what organizational autonomy is. This is not to say that the literature does not suggest potential descriptors or measures of organizational autonomy. To cite one example, Smith (1993) states that inherent government funding restrictions reduce the autonomy INGOs have in setting their own

agenda, as well as affect their operations, especially with regard to the services they provide and the clients they serve. This observation actually refers to what Verhoest, Peters et al. (2004) have labeled operational autonomy.

The two-tier conceptualization of organizational autonomy postulated by Verhoest, Peters et al. (2004), regards “organizational autonomy” first as, the extent of an organization’s decision-making competencies. This encompasses: -

- 1) *Managerial autonomy*: This refers to the degree to which an agency’s decision making competencies about the choice and use of inputs are delegated from a centralized location. In the case of INGOs, this research considers the funding sources as the centralized location. Managerial autonomy comes in two forms, that is, with respect to: -
 - a. *Financial management* – making changes to budgets
 - b. *Human resources* – making employees selection decisions
- 2) *Operational or policy autonomy*: This pertains to the extent to which an organization can take decisions about processes, procedures, policy instruments, target groups and societal objectives and outcomes.

Organizational autonomy is also defined in terms of the *constraints* that may impede the implementation of an organization’s decision making competencies (Verhoest, Peters et al. 2004; Braadbaart, Van-Eybergen et al. 2007). According to Verhoest, Peters et al. (2004), autonomy is also defined as the “exemption of constraints on the actual use of decision making competencies. This formulation comprises four types of autonomy: -

- 1) *Financial autonomy*: The degree of an INGO's financial dependence on its funders (e.g., the share of government, corporate, or foundation funding)
- 2) *Structural autonomy*: The degree to which an organization is shielded from influence from funding sources through lines of hierarchy and accountability or the board structure.
- 3) *Legal autonomy*: The extent to which agencies are legally protected from government interference.
- 4) *Interventional autonomy*: The extent to which an agency is free from *ex post* accountability requirements, and threats of sanctions.

Constraints therefore include *ex ante* controls such as the formulation of rules, instructions, conditions or standards that provide direction for INGOs thus steering them toward the desired policy goals of the funders. Such controls influence how the provided financial inputs are to be utilized. Constraints also consist of *ex post* controls, which take the form of accountability demands placed on INGOs to verify whether the a priori preset goals were achieved. The existence of *ex ante* and *ex post* controls therefore provides the thread used to trace whether INGOs fulfilled preset donor goals.

The above observations also highlight a key underlying character of the concept of organizational autonomy which I believe is critical to this research. Similar to measuring concepts such as “quality of life,” “organizational morale,” or “extraordinary intelligence” (Borsboom, Mellenbergh et al. 2003), the concept of “organizational autonomy” needs to be regarded as a latent variable, one that is unobserved but can only be inferred from observing other variables or indicators that are observable and can be directly measured.

In this case, the presence of observable *ex ante* budget rules and regulations or the fact that an INGO is 95 percent dependent on a single funding source, could all be perceived as indicators of an INGO's loss of autonomy. As a result, a causal relationship is assumed to exist between an observable variable or concept (e.g., *ex ante* rules and requirements on the expenditure of federal funding) and an unobservable variable or concept such as operational autonomy (Borsboom, Mellenbergh et al. 2003). For this reason, a clear distinction needs to be drawn between "autonomy" (as having actual decision making competencies) and the "mechanisms" that may influence that autonomy, i.e., constraints on autonomy.

In light of these definitions, government-INGO exchange relationships can be regarded as being concerned about "the particular objectives that an actor seeks to achieve through interacting with others," this is likely to include officially stated goals as well as hidden ones (Hulme and Edwards 1997). Constraints on the other hand relate "to the levers that an actor (e.g., funding sources) may use to control or influence [the behavior of] other actors (e.g., INGOs)..." (Hulme and Edwards 1997), and these include persuasion by the use of argument (Majone 1989; Salamon 2002a), and offering financial incentives or direct coercion (Schneider and Ingram 1990; Hulme and Edwards 1997).

In some ways, the goal of ensuring that nonprofit organizations are accountable has resulted in expanded monitoring, evaluation and reporting obligations; mechanisms which could be regarded as types of constraints or controls. And by regarding interventional constraints as *ex post* accountability requirements and threats of sanctions; it is clear that INGOs' autonomy can be undermined through such interventional means.

As a result, a discourse about INGO autonomy in the context of funding must include a dialogue about INGO accountability.

1.4 The Complexity of INGO Accountability

Accountability motivates a scenario where “an actor is accountable when that actor recognizes that it has made a promise to do something and accepted a moral and legal responsibility to do its best to fulfill that promise” (Brown and Moore 2001). In Goetz and Jenkins’ (2002) words, “accountability describes a relationship where A is accountable to B if A is obliged to explain and justify his actions to B, or if A may suffer sanctions if his conduct, or explanation for it, is found wanting by B.” In light of the notion that accountability is not only relational (Cutt and Murray 2000; Ebrahim 2003a), it is also “a relationship of power” (Goetz and Jenkins 2002), where one party allocates responsibility and another accepts it with an undertaking to report on or render on account for that responsibility (Cutt and Murray 2000). Thus a conversation about government-INGO relations cannot take place without at least a cursory glance at the link between accountability demands by government and INGO autonomy.

Increased accountability demands on INGOs have been attributed to three factors; INGOs’ increased prominence, attraction of more funding from various sources, and increased influence in promoting and shaping social, economic and political development in the international polity, (Brown and Moore 2001; Ebrahim 2003a; Bendell 2006; Jordan and Tuijl 2006). As a result, different stakeholders place different accountability demands on INGOs, which can pose challenges when the expectations and accountability

claims of various stakeholders misalign, creating a situation where an INGO may have to choose whose claims it can honor (Brown and Moore 2001; Ebrahim 2003a).

For instance, in upward accountability, funders such as government, corporations and foundations, expect INGOs “to be accountable for the integrity, efficiency, and impacts of programs that they have funded,” that is, “for the proper handling of donated resources” (Brown and Moore 2001). Funders expect INGOs to live up to their promise in realizing the agreed-upon goals upon which the partnership is based. In downward accountability, INGOs’ beneficiaries expect INGOs “to live up to their rhetoric about fostering locally determined development rather than imposing their own priorities” (Brown and Moore 2001).

Closely related to autonomy is that INGOs cannot always challenge those who provide the funds for their programs because they run the risk of alienating themselves from their funders. In spite of such risks, Oxfam America refused to accept government funding for fear that the latter would impose its purposes on the organization. This draws our attention to the possibility of stakeholders like government exerting different degrees of power on INGOs in an attempt to advance their own agendas (Brown and Moore 2001). In this case, INGOs’ autonomy is compromised through a process sometimes called “cooptation” – a deflection of the original purposes of INGOs (Kramer 1985; Smith and Lipsky 1993; Young 1999; Cutt and Murray 2000; Najam 2000; Ebrahim 2003a; Young 2006).

While the above seems to suggest that accountability demands may vary by funding source, accountability also varies by the type of tool used to transfer various resources to INGOs. For instance, grants impose very general and broad accountability

demands on INGOs, while contracts are usually far more exacting and precise. In addition, accountability demands may also vary by other dimensions such as outcomes, activities, or outputs (Cutt and Murray 2000; Brown and Moore 2001; Ebrahim 2003b). According to Ebrahim (2003a; 2003b), regulators and funders typically operationalize accountability largely through external oversight, dominated by mechanisms of accounting for funds allocation and utilization, and such accountability mechanisms are usually biased in favor of the funders.

In organizational autonomy terms, accountability demands can be translated into ex post or interventional constraints on INGOs. In other words, the requirement for ex post accountability acts as a burden of proof placed upon INGOs to verify whether the funders' a priori preset goals were achieved, that is, to account for funds allocation and utilization with respect to the agreed upon goals (similar to functional accountability described below). As suggested above, ex ante and ex post controls are thus utilized to trace whether INGOs fulfilled or deviated from the preset goals.

The notion that accountability varies with different dimensions brings us to question the normative assumptions upon which the practice of accountability is predicated. Ebrahim (2003a) notes that heightened accountability concerns have resulted in increased oversight and INGO regulation. Bendell (2006) regards accountability as a bureaucratic hurdle, and at worst, a threat to the achievement of INGO missions. However, how much accountability is sufficient and how much is "too much" remains elusive (Ebrahim 2003a).

Similar to the concept of organizational autonomy, the concept of accountability may have been narrowly viewed as one-dimensional concept of oversight. However, that

is but one facet of a complex multi-dimensional concept of accountability (Cutt and Murray 2000; Ebrahim 2003a; Ebrahim 2003b). Other dimensions of accountability include: -

- *External accountability*: When those outside the organization hold the organization responsible for its actions, inspired by an obligation to meet externally prescribed standards of behavior.
- *Internal accountability*: When the organization takes the initiative to hold itself responsible for its programs, inspired by a felt responsibility towards mission accomplishment.
- *Strategic accountability*: This is when an INGO accounts for the impact its activities have had on other organization and the wider environment.
- *Functional accountability*: This is concerned with “accounting for resources, resource use, and immediate impact” (Ebrahim 2003b)

Chisolm (1995) also adds a legal dimension to accountability. This is concerned with “either an obligation to meet prescribed standards of behavior or an obligation to disclose information about one’s actions even in the absence of a prescribed standard.” This type of accountability presents threats of legal action should a nonprofit fail to meet the legal obligation, quite similar to legal constraints defined under autonomy. For INGOs such legal obligations arrive by virtue of entering into legal binding relationships with funders.

With regard to government funding, the use of legal instruments such as grants, contracts or cooperative agreements, imposes legal obligations on INGOs to meet prescribed standards of behavior or goals stipulated in those agreements. There are other

legal obligations that nonprofits in general have to meet without necessarily entering into an exchange relationship with government. Such obligations include, filing a 990 tax form annually, ensuring public access to 990 forms, and the requirement that nonprofit organizations with a 501(c) (3) tax exempt status not participate in substantial political campaign or substantial lobbying (Grobman 2007). Failure to abide by these regulations may result in a loss of tax exempt status.

However, not all accountability demands negatively impact the autonomy of an INGO; as Brown and Moore (2001) pointed out, as long as an INGO's structures and accountability systems "are aligned with its mission [as defined by the INGO leadership], the demands for accountability will neither reduce an [INGO's] autonomy nor alter its purposes." What remains clear is that, decisions by INGOs to embrace or resist a stakeholder's demands for accountability can have profound impacts on their missions, strategies, and operations. Overall, accountability demands seem to act as some type of ex post constraints on INGOs' activities thus impacting INGOs' operational autonomy and managerial autonomy with respect to financial management.

1.5 Theoretical Frameworks: Resource Dependence and Tool Choice

A number of theoretical lenses can be used to investigate the nature of the relationship between government funding and INGO autonomy. For example, the neo-institutional theory with its focus on institutional isomorphism, contends that the success of an organization is based on the degree to which it responds and adapts to external forces within its environment. This framework focuses on organizational field as a unit of analysis, thus taking into account all the relevant actors in a given institution's life in its

totality (DiMaggio and Powell 1983). These authors define organizational fields as the “key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products.” As a result, this theoretical framework can be used to explain the homogeneity that may exist among organizations operating within the same organizational fields.

This research however seeks to understand how different funding sources, and in particular, the influence of one’s level of dependence on USG funding on an INGO’s autonomy. As such variation in the degree to which funding sources impact the autonomy of INGOs and not homogeneity, is of interest here, hence the adoption of resource dependence theory. A fundamental premise of resource dependence theory is that, organizations lacking in resources will establish relationships with others, in order to obtain the resources they need (Pfeffer and Salancik’s 2003). This theory allows one to focus on the variations in the impact funders have on organizational autonomy by focusing one’s attention on the individual exchange environments within which INGOs operate in. This is important given the belief that government-INGO exchange relationships are dominated by repression and rivalry owing to the power and resource advantage enjoyed by government (Hulme and Edwards 1997; Smith 1993; Atmar 2001). According to Pfeffer and Salancik (2003) resource dependence theory characterizes associations between organizations as a set of power relations based on resource exchange.

Pfeffer and Salancik (2003) define an organization as a “coalition of groups and interests, each attempting to obtain something from the collectivity by interacting with others, and each with its own preferences and objectives.” Hence both funding sources

and INGOs have their own preferences and objectives. Of interest to this research is how those interests, preferences, and objectives are articulated. Viewing organizations as coalitions of groups and interests also draws our attention to the boundaries of an organization, as being defined by the work it does, and most importantly, by the extent to which the organization has discretion – influence and control over what it does i.e., its activities (March and Simon 1958; Pfeffer and Salancik 2003). Somewhat resembling DiMaggio and Powell's (1983) institutional isomorphism, organizations resemble coalitions changing their structure and patterns of behavior to attract and maintain the much needed resources, thus modifying their power relative to funding organizations (Pfeffer and Salancik 2003). This suggests a disproportionate dependence of INGOs on those organizations that control the strategic resources that they need to carry out their missions (Gronbjerg 1993; Mudambi and Pedersen 2007). For example, funding sources may influence the way INGOs delivers services (Smith 1993; Chang and Tuckman 1994; Smith 2006).

As such, the funding environment of nonprofits, owing to the funding acquisition uncertainties associated with responding to requests for proposals (RFPs) and agreements (RFAs), may affect the power and autonomy of nonprofits (Pfeffer and Salancik 2003). In other words, responding to an RFA or RFP does not necessary secure funding. In actuality, the funding environment is characterized by strong competition for grants from other INGOs and competition for contracts from other INGOs, as well as corporations. Resource dependence therefore, recognizes that the funding environment and context within which organizations exist and compete for resources may influence how they

operate by way of influencing INGOs' decision making competencies (Verhoest, Peters et al. 2004).

Resource dependence also rests on the following assumptions; first, organizations are assumed to consist of emergent internal and external coalitions. Such coalitions emerge from social exchanges that are formed in order to influence and control the behavior of others (Pfeffer and Salancik 2003). And as indicated above, a second premise is that, the environments within which organizations operate are assumed to contain scarce resources which are critical for their survival, thus creating a measure of uncertainty among dependent organizations. Disaster relief and assistance INGOs, like other nonprofit organizations, operate in a resource-scarce environment such that they rely on a variety of funding sources such as, individual, government, corporations, foundations, other governments and international organizations (e.g., the UN and the African Bank), to fund their missions. In light of these resource pressures, together with the shifting nature of humanitarian problems and assistance around the globe, as well as shifting policies governing their operations, INGOs face uncertainties and instabilities which may impact their decision making.

Finally, resource dependency theory assumes that organizations work toward two related objectives – that is, acquiring control over resources that maximize their autonomy or independence from other organizations, or minimizing their dependence on other organizations (Pfeffer and Salancik 1978; Ulrich and Barney 1984; Pfeffer and Salancik 2003). In this regard, one could argue that INGOs may choose to increase their resource dependence on a variety of funding sources by diversifying their funding portfolios, thus relying less on a single funding source (Gronbjerg 1993; Chang and

Tuckman 1994). Alternatively, INGOs could maximize the dependence of those that fund them by increasing their competitive advantage in a particular field.

Using this lens therefore, helps to appreciate the funding environment in which INGOs exists, while allowing an investigation of the factors through which INGOs' autonomy is undermined, as well as the mechanisms INGOs use to maximize their autonomy. Note that 'interdependence' in and of itself does not automatically translate into autonomy loss; it does however, impact "the ability of [an] organization to achieve its desired outcomes" especially when that interdependence is asymmetrical (Pfeffer and Salancik 2003). Resource dependence theory suggests that increased financial inter-dependency of INGOs on other organizations may reduce INGOs' control and decision making autonomy (Provan 1982).

Pfeffer and Salancik (2003) identify three critical factors that increase the dependence or vulnerability of an organization to extra-organizational influence and control;

1. First, the *importance of the resources* to an INGO determines its level of dependence on a particular source. This is determined by;
 - a. *The relative magnitude of the exchange or the proportion or share of revenue coming from a particular source*, measured by the degree to which an INGO is dependent on a dominant funding source relative to other funding sources.
 - b. *The criticality of the resource*, measured by the extent to which the INGO can survive or function in the absence of revenue support from a particular funding source.

All these factors may determine the degree to which INGOs exist in asymmetrical net exchanges where funding sources enjoy a power advantage over them. For example, an INGO that is 100 percent government funded may not be in a position to challenge the government since all its activities are government funded.

2. An organization's dependence on its environment is also influenced by *the availability of alternative funding sources*. Pfeffer and Salancik (2003) point out that, access to alternative resources can be constrained through;
 - a. *Rules and regulations that may restrict access to other sources;*
 - b. *The number of available sources;* and
 - c. *The size or importance of the alternatives.*

As such, control over resource concentration or having input transactions made by relatively few organizations or a single significant organization may facilitate the creation of organizational resource dependence.

3. Organizational dependence is also determined by *the extent of the funding source's discretion over resource ownership, allocation, and use*. Having such discretion, influence and control is based on;
 - a. *Resource ownership:* This is based on the assumption that whoever possesses the resource has power over how that resource is allocated and utilized;
 - b. *The ability to control the actual use of the resources:* This is concerned with the degree to which an INGO has control over how donated resources are utilized. In other words, controlling the actual use of the resource by

the funder yield less INGO discretion over how those resources are ultimately utilized and therefore what gets done.

Finally, organizational dependence comes about when

- c. *Rules are used to regulate resource ownership, allocation and use:* The presence and actual enforcement of such rules for example, determines the degree to which an INGO becomes dependent on its funders.

For example, in an informal conversation, one INGO employee complained that receiving U.S. government funding through what he referred to as the “Buy America” clauses – (referring to The Fly America Act and the Eligibility Rules for Goods and Services Clause); restricted USG-funded INGOs from utilizing cheaper or alternative modes of transportation or sources of inputs (e.g., the requirement to purchase only U.S. manufactured vehicles, or the requirement to use only U.S. shipping companies to transport goods and other commodities). In light of these observations, the more an organization is self-contained or self-sufficient i.e., less interdependent, the more likely it is to influence and control its own activities. This is simply not the case with many INGOs, let alone many nonprofit organizations.

Evidence from the literature suggests that funding sources have been able to exert influence on resource allocation, and use through regulations and conditionalities embedded within contracts and grants (e.g., Provan 1982; Schneider and Ingram 1990; Salamon 2002a; 2002b; Shaikh and Casablanca 2008). Additional examples of such rules, regulations, and conditionalities include the Anti-Prostitution Pledge, which

requires that INGOs adopt explicit anti-prostitution policies and language in their programming, and The Mexico City Policy (also known as the “Global Gag Rule³”), which “denies U.S. family planning funding to any organization that performs, collects data on, provides referrals for, or advocates legal changes for abortions” (Jacobson 2007).

There is also evidence to suggest that the broad policy language of such regulations and conditionalities actually curtails INGO autonomy. For instance, INGOs operating in Cambodia “discontinued plans to provide English language training classes for people working in the commercial sex sector for fear that such programs would be interpreted as promoting prostitution” (Jacobson 2005). And in Jamaica, health workers working with men and women in prostitution expressed concern over the restrictions’ capacity to limit their ability to support people working in the commercial sex sector, let alone, gain their trust without exacerbating their stigma and discrimination (Jacobson 2005). These examples also indicate that attaching such conditionalities to funding constrain INGOs’ ownership over funding, which in turn undercuts the INGOs’ capacity to allocate those resources.

The second theoretical framework utilized in this research is the tool choice approach postulated by Salamon (2002a). Although INGOs themselves can be viewed as the policy tools of government (Salamon 1995; Forman and Stoddard 2003), the policy tool choice view also offers an interesting framework for understanding the nuances of the government-INGO exchange relationship. Of particular interest to this research is the

³ This legislation was first announced in 1984 by President Ronald Reagan. It was then rescinded by President Bill Clinton in 1993, but reinstated by President George W. Bush in 2001. According to Jacobson, the Bush Administration threatened to expand the Global Gag Rule to include international HIV/AIDS programs, but withdrew the threat.

proposition that government policy tools are selected on the basis of the kinds of behaviors they intend to induce (Schneider and Ingram 1990; Salamon 2002a). This approach assumes that public policies are designed to generate specific kinds of behaviors from people (or organizations) who otherwise would not have exhibited those desired specific kinds of behaviors on their own accord (Schneider and Ingram 1990; Salamon 2002a). This ‘new governance’ approach shifts the unit of analysis from specific programs to “tools” or “instruments” used to achieve public purposes by suggesting that regardless of programs, each tool would have similar effects (Salamon 2002a).

Salamon (2002a) draws a distinction between tools, programs and policies. For instance, tools are embodied in programs, implying that a single tool can be used in different programs, and policies are viewed as collections of different programs aimed at some general objective or operating in a similar field (Salamon 2002a). A central hypothesis of the tools approach is that particular tools convey similar pressures and have similar operating requirements regardless of where they happen to be applied.

It has also been argued that policy tools such grants, contracts, food aid, and cooperative agreements, also define the set of actors engaged in the crucial implementation phase of programs, the roles they play, and the nature of the activities a program involves (Brown and Moore 2001; Salamon 2002a). Tool choice, not only influences the outcome of the process; it is also profoundly political in that specific tools provide certain actors with an advantage in determining how policies or programs are executed, how discretion is to be utilized, and ultimately whose interests will be served

(Schneider and Ingram 1990; Peters 2002; Salamon 2002a; Stoddard 2002b; Schneider and Ingram 2005; Lancaster 2007).

For example, although grants and cooperative agreements are essentially very similar, a key distinction exists. The USAID's Glossary of Automated Directives System (2009) defines cooperative agreements as legally binding instruments where the principal purpose is to "transfer money or property, services or anything of value to the recipient in order to accomplish a public purpose of support authorized by the federal statute and where *substantial involvement* by USAID is anticipated." As a result, such a funding tool provides government with a discretionary advantage over INGOs.

Basically, "each ...tool has its own distinctive features, skills requirements, operating procedures, and asset of institutional relationships" (Salamon 2002a). This suggests that the vehicles used to transfer funding to INGOs all "permit very different levels of government authority and control" over how those resources are utilized (Shaikh and Casablanca 2008). Shaikh and Casablanca (2008) also assert that the closer development assistance funding is tied to the U.S. foreign policy, the more likely that government will desire control over how those funds are spent and would prefer to use the contract mechanism to achieve its objectives. As a result, contracts are deemed more effective for financing programs where the government requires greater "control over results; greater accountability and transparency; more opportunities for competition; and an equally cost-effective result" (Shaikh and Casablanca 2008).

The tool choice approach also suggests that two layers of tools are at the disposal of government. First, INGOs themselves can be viewed as public policy tools especially when nonprofits are viewed from a privatization or contracting-out perspective compared

to direct provision of goods and services by government (Salamon 1995; Forman and Stoddard 2003). This is consistent with the “reinvention of government” (Osborne and Gaebler 1992) and “hollow state” paradigms (Milward and Provan 2000) which argue that the popularity of the nonprofit form as a policy implementing tool emerged in response to government and market failures (Weisbrod 1977; Hansmann 1980; Fama and Jensen 1983). As illuminated above however, not only is the nonprofit form a policy tool in and of itself, but the different ways in which INGOs are funded represent yet another set of policy tools available to the government.

1.5.1 Understanding Policy Tools: Contracts, Grants and Cooperative Agreements

INGOs are funded through a variety of sources, including, individual contributions, foundations, government, corporations, international organizations (e.g., UN agencies; World Bank), in-kind gifts and other governments (Forman and Stoddard 2002; USAID 2007). While public funding in the 1960s and 1970s spurred the growth of the nonprofit sector, there was also a notable decline in discretionary grants and contract spending (Smith 1993; Gronbjerg and Salamon 2002). Coupled with these changes is a notable growth in regulatory pressures from government to discourage nonprofit advocacy, and “other mission-critical nonprofit functions” such as nonprofit commitment to serve the greatest need, and values that emphasize quality and community benefit over efficiency and responsiveness to market pressures (Gronbjerg and Salamon 2002).

Kerlin (2006a) underscores three forms of government financing for INGOs, that is, contracts, grants and cooperative agreements. The USAID for example, tends to provide funding to INGOs through grants more than contracts. Note however that USAID

Volag reports lump grants and cooperative agreements together, perhaps credence to the fear of a blurring of funding tools Kendall and Knapp (1997) suggested below. In the 1997 fiscal year, 61 percent of INGOs' funding was channeled through grants (compared to 18 percent in contracts). In the 2002 fiscal year 86 percent of USAID support came in the form of grants (compared to 14 percent in contracts). And in the 2004 fiscal year, 68 percent of USAID support came in the form of grants (compared to 8 percent in contracts)⁴. This is in addition to other forms of government funding such as non-monetary supports like food aid and freight.

Kelman (2002) and DeHoog and Salamon (2002) identify two types of contracts, a procurement contract and one that entails the purchase-of-services for the recipients rather than for the government's own use. A procurement contract is analogous to a private sector business arrangement and is used to purchase or lease property or services for the direct benefit of the federal government, in exchange for money (Kelman 2002; Kerlin 2006a; USAID 2009a). Essentially, an INGO makes a promise to provide certain services, in exchange for money (DeHoog and Salamon 2002).

Unlike "contracting for the procurement of products and services used directly by government," a purchase-of-service contract entails the delivery of government-funded services by INGOs to external recipients (DeHoog and Salamon 2002; Kelman 2002). As such, this is an agreement by which INGOs are enlisted by government to deliver services to particular clients (DeHoog and Salamon 2002). Given their high level of output specificity, contracts tend to be coercive, allowing less discretion in full and open

⁴ Source: USAID Volag Reports for 1997, 2004, and 2006.

competition, and in some sense “involve a voluntary incursion of obligations in exchange for compensation” (Brown and Moore 2001; Bean and Conlan 2002; Kelman 2002; Kerlin 2006a).

Grants, on the other hand, are payments to INGOs by government as a gift to either foster or support some activity (Bean and Conlan 2002; Kelman 2002). They are used to “transfer resources where there is considerable freedom for the recipient to pursue an agreed-upon program and substantial involvement, that is, the participation or intervention of the sponsoring government agency is not expected” (Kerlin 2006a; USAID 2009). Unlike contracts, grants tend to be relatively non-coercive, leaving considerable leeway over the operation of programs (Brown and Moore 2001; Bean and Conlan 2002; Kelman 2002; Kerlin 2006a). However, “the increased specificity through the replacement of grants with contracts, will threaten to undermine the autonomy” of those INGOs receiving a substantial amount of government funding through grants (Kendall and Knapp 1997). On the other hand, “cooperative agreements are a means of transferring resources to recipient providers, though recipients can expect involvement of the sponsoring government agency during project implementation” (Kerlin 2006a; USAID 2009).

As a result, the relationship between each funding tools and autonomy is mediated by the *coerciveness* and *directness* of the tool itself. A tool (e.g., grant) is said to be coercive when it restricts individual or group behavior as opposed to discouraging the behavior, and direct when “the authorization, funding, and execution of the tool are all carried out by essentially the same entity,” in this case by government (Salamon 2002a). For example, in reference to Table 1 below, coercive funding tools like contracts, tend to

be associated with high degree of specificity in terms of the input use, programming, and clients to be served (Bean and Conlan 2002; Kelman 2002; Smith 2006; Shaikh and Casablanca 2008); as a result, they yield less autonomy to INGOs compared to grants for example. There are two additional characteristics of tools – automaticity and visibility which I do not address the in this research due to an inability to observe them.

Table 1: Taxonomy of Government Funding and INGO Autonomy

	Degree of INGO Autonomy			
		<i>Low</i>	<i>Medium- to-High</i>	
	<i>High</i>	CONTRACTS		
	<i>Medium</i>		COOPERATIVE AGREEMENTS	
	<i>Low</i>			GRANTS

Table 1 therefore posits a relationship between government funding and INGO autonomy predicated on the constraints embedded in the different government funding tools. This suggests that specific funding mechanisms yield varying levels of autonomy because of the controls embedded in them. Bear in mind however that this taxonomy may only be limited to United States government-INGO relations since government-nonprofit relations vary widely across different countries. For example, funding from the Scandinavian governments is less restrictive than funding from the U.S. government, in terms of how and where funds can be utilized (ODI 1995).

Embedded in the above view is that, while government funding may be used to attract INGOs to provide particular kinds of services or to implement particular kinds of policies on their behalf, the variations in the mechanisms through which funding is

provided (that is, contracts, grants, cooperative agreements, as well as other funding mechanisms) in and of themselves, also serve as tools to coerce and determine specific kinds of behaviors and relationships from INGOs. In this light, a double-layered relationship exists in that, while the ‘willingness’ of government to support INGOs may symbolically foster a co-productive or participatory behavior or relationship (Edelman 1985; Schneider and Ingram 2005) on the part of INGOs, the very character of each funding mechanism ensures that the strategic institutional interests and preferences of the government are met, thus differentially influencing INGO autonomy.

Salamon (2002a) also underscores a very important observation, that in reality any given tool is more of a ‘package’ that contains many different elements, that is, *a type of good or activity; a delivery vehicle for the good or activity; a delivery system* that is, a set of organizations that are engaged in providing the good, service, or activity; and *a set of formal or informal rules* defining the relationship among the entities in the delivery system. So for as example, a cooperative agreement between an INGO and the USAID would be regarded as a package in the sense that, first the agreement defines the type of activity to be provided, that is, funding is transferred to an INGO to provide support for a defined program (e.g., an alternative agricultural program in Afghanistan). The INGO, with the substantial involvement of USAID would deliver these activities through the vehicle of a specified educational farming program. USAID expects the INGO to request approval for all its implementation plans and workplans, including all revisions and changes made to this package prior to implementation. If the INGO decides to sub-contact parts of the project, USAID approval would have to be sought before this decision can be finalized.

The description of contracts, grants and cooperative agreements provided above suggests that government funding involves constraints that limit the spending discretion of INGOs, as well as other operational decisions in unique ways. For instance, given that government contracts are more exacting and that they are utilized to provide funding to nonprofits through the purchase of specific kinds of services, contracts are less likely to grant high levels of operational or policy autonomy (Kendall and Knapp 1997; Young 2000; DeHoog and Salamon 2002; Kelman 2002; Kerlin 2006a). As such, relative to grants, contracts allow less autonomy (Brown and Moore 2001; Bean and Conlan 2002). The limited constraints or controls embedded in grants and cooperative agreements on the other hand allow higher levels of autonomy since they leave room for INGOs discretion over operational decisions (Bean and Conlan 2002; Kerlin 2006a).

As noted by Robinson (1997), “involvement in project implementation and service delivery through contracting can [divert] INGOs from their primary objectives and compromise their autonomy.” As such, because contracts involve more controls, they are likely to yield less autonomy to INGOs, compared to cooperative agreements and grants. Cooperative agreements are also presumed to yield much less autonomy than grant due the substantial intervention and participation by government.

U.S. government funding however was not as strict and regulated as it is today. In the 1950s, “federal and state contracts and grants lacked stringent guidelines and regulations” (Bean and Conlan 2002; Kelman 2002; Smith 2006). In trying to “rationalize” the size of service system the government was financing, as well as ensure accountability for expenditure of public funds, did the regulations governing contracts become stringent (Smith 2006). Beyond accounting for expenditures, government

regulations have also had an impact on the internal allocations of funds by nonprofits in that “contract requirements greatly limit nonprofits’ flexibility in appropriately meeting client needs and responding to unexpected developments” (Smith 2006).

It is also important to recognize that government typically provides funding on a project-by-project basis and hence, INGOs may have a reasonable expectation of secure funding from year to year, even in the face of the application-and-approval ritual (Smillie 1993). From an organizational autonomy perspective however, tedious application-and-approval rituals may exist as *ex ante* controls used to manipulate the processes, policy instruments, outputs or outcomes and the performance of INGOs (Verhoest, Peters et al. 2004).

Perhaps a strong rationale for this research is provided by resource dependence’s underlying premise that the organization’s external social context i.e., those in an inter-dependent relationship with the INGO, accounts for its activities and outcomes (Pfeffer and Salancik 2003). This prompts an investigation of INGO autonomy within the context of its external funding environment. As Pfeffer and Salancik (2003) point out, an “organization ends where its discretion ends...” as such, an INGO’s relative influence and control over its activities defines its boundaries or sphere of influence, that is, it defines where the INGO begins and ends.

1.6 Overview of Research Methodology

Based on resource dependence and tool choice theoretical frameworks posited in this chapter, two key propositions emerge. First, resource dependence suggests that receiving a substantial share of financial support from government or any other funding

source (Pfeffer and Salancik 2003) may compromise an INGO's autonomy. Second, different government funding mechanisms, that is, contracts, grants, and cooperative agreements, present their own operating characteristics and programmatic consequences (Salamon 2002a), they uniquely influence INGOs' autonomy since each tool provides a unique structure within which INGO decision making takes place.

And in response to the question of how government funding influences INGO autonomy, as well as what strategies INGOs employ to safeguard their autonomy, this study adopts a qualitative multiple case study methodology. This decision is inspired by a number of factors. First, understanding "how" organizational autonomy is influenced by funding not only identifies funding as the context within which autonomy loss takes place; this also draws our attention to the existence of mechanisms influencing INGOs' autonomy. In addition, a qualitative case study methodology provides this research with tools necessary to study the phenomenon of INGO autonomy within this specified context of resource dependence and funding tools (Yin 2003; Baxter and Jack 2008; Yin 2009).

The use a multiple case study design also has the advantage of enhancing the credibility of the findings since such a design is considered more robust (Miles and Huberman 1994; Yin 2003; Baxter and Jack 2008; Yin 2009). By restricting this study to USG-funded direct relief and development INGOs, affords the advantage of literal replication in that the study allows one to investigate the influence of government funding across similar organizations. At the same time, selecting INGOs with disparate shares of government funding allows significant variation to allow for theoretical replication (Yin 2003; Yin 2009).

Finally, the literature has treated the concept of INGO autonomy in such nebulous terms, making it difficult to identify exactly what “autonomy” really is. A qualitative case study approach allows enough exploratory room for this research to navigate complex relationships where not only definitions are unclear, but where there is a scarcity of literature on the subject. By employing in-depth interviews and drawing from multiple data sources, the methodology allows one to uncover nuances around this complex relationship between government funding and INGO autonomy, thus generate a detailed understanding of government-INGO exchange relationships (Miles and Huberman 1994; Baxter and Jack 2008).

The remainder of this research is organized as follows; the next chapter provides an in-depth description of the current state of the literature on government-nonprofit interactions and the debate surrounding the influence of USG funding on INGO autonomy. Chapter 3 details the research methodology adopted in this study, the hypotheses derived from theoretical frameworks and the data collection methods. Chapter 4 showcases the data analysis techniques adopted in this study, as well as the nature of the data derived from the data analysis. A comparison of the within-case findings to the hypotheses drawn from resource dependence framework, and a presentation of the cross-case findings with respect to the hypotheses drawn from the tool choice perspectives are presented in Chapters 5 and 6, respectively. And while Chapter 7 discusses some practical considerations for managing the risk of autonomy loss, Chapter 8 concludes this research with a review of the key findings and implications for policy, practice and future research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

While INGOs receive their revenue and support from diverse sources, the share of U.S. Government (USG) funding has increased steadily over the years, compared to multilateral financing. For instance, U.S. official development assistance jumped from about \$10 billion in 2000 to \$16.2 billion in 2003 (Kerlin 2006a). The key rationale behind the increased government financing of INGOs is linked to the desire for increased control by the U.S. government, especially in light of the failures of government-to-government aid and the ineffectiveness and waste associated with multilateral organizations such as the UN and the Bretton Woods Institutions (Stoddard 2002b; Lancaster 2007). In particular, the USG “desires accountability, transparency, and a large measure of substantive and managerial oversight of humanitarian programs” (Stoddard 2002b). In order to establish this control, a wide variety of mechanisms, including contracts, grants, vouchers, tax exemptions, have been used by government to finance INGO activities (Salamon 2002a). However, this raises concerns as to how governmental expectations embedded in these mechanisms influence what INGOs do.

The desire for control over humanitarian programs is attributed to two primary changes that took place after World War II. First, humanitarian assistance became politicized in the U.S foreign policy (Atmar 2001; Duffield, Macrae et al. 2001; Fox 2001; Stoddard 2002b). For instance, in response to the complex emergencies of the 1990s (e.g., Sudan Crisis, Kosovo), the USG used humanitarian aid more as a foreign

policy tool to substitute for direct political involvement (Stoddard 2002b; Drury, Olson et al. 2005; Lancaster 2007). In these instances, Congress was divided about the appropriate response and administration was reluctant about deploying U.S. troops in response to these crises (Stoddard 2002b). In other words, officials spoke of foreign “aid in non-committal terms, as a policy instrument that can complement, or provide an alternative to, diplomatic pressure and military action” (Stoddard 2002a).

The second change came in the aftermath of the Rwanda Genocide in 1994 in response to the poor performance and lack of coordination among NGOs, multilateral and bilateral agencies (Stoddard 2002b). This resulted in increased demand for accountability and performance measurement by the U.S. government and other donors by demanding to see measureable results from their donations and increased oversight of INGO work (Goyder 1994; Stoddard 2002b; Lancaster 2007).

Yet another recent influence is the new security climate following September 11. Not only has this strengthened the support for more U.S. control over humanitarian programs, but it has also served to reinforce the U.S. government’s bilateral approach, which is generally targeted towards specific locations and tasks (Randel and German 2002; Stoddard 2002a; Stoddard 2002b; Forman and Stoddard 2003; Lancaster 2007). In Stoddard’s (2002b) words, “US humanitarian policy is likely to be increasingly intertwined with national security objectives: as a legitimizing or public relations component to military actions, as in Afghanistan; as a political lever for ‘hearts and minds’ campaigns in key regions; and to help shore up unstable states to prevent new terrorist constituencies and staging-grounds from forming.”

This chapter reviews the literature on government-INGO relations by outlining the different typologies of government-INGO relationships. In an effort to showcase the policy environment INGOs operate in, I describe the character of the U.S. foreign aid policy and how this policy environment defines government-INGO relationship. I conclude this chapter by summarizing the debate surrounding government funding and its impact on INGO.

2.2 Typologies of Government-INGO Relations

A broad range of models have been used to explain the existence of nonprofits as well as describe the exchange relationship between government and nonprofits. Economic models attribute the founding of nonprofit organizations to inherent limitations of government and private markets. The “market failure” view argues for government provision of collective goods such as clean air, since such goods or services entail “free-rider” problems owing to the non-excludable and non-rival nature of collective goods. Government, as a result of its ability to tax citizens, is in a better position to provide such goods (Weisbrod 1977).

The efficiency of provision by government is nonetheless constrained by considerations of equity, given “the need of government officials to treat groups and individuals fairly,” that is, “defining need in order to allocate resources by criteria deemed to be fair” (Smith 2006). Efficient government provision has also been constrained by considerations of majority rule or popular vote such that those programs or services that fail to attract enough public support become under-provided resulting in what has been labeled “government failure” (Weisbrod 1977). To address this failure, the

“third” or nonprofit sector arises when private citizens, using private resources, voluntarily decide to participate in the political economy by setting up private organizations to supplement government provision (Gidron, Kramer et al. 1992).

The foregoing “government failure” depiction of the relationship between state and nonprofits has been criticized for being one-dimensional, characterized by “competition in which one actor’s gains are another’s losses” (Gidron, Kramer et al. 1992). These authors regard the paradigm as positing a misleading picture of a conflicting rather than cooperative relationship between government and the nonprofit sector. The competitive paradigm is founded on liberal political philosophy which emphasize individualism and political liberty in the face of “the overarching power of the state” (Gidron, Kramer et al. 1992).

Gidron, Kramer et al. (1992) contend that the conflicting relationship relates more to an ideological rather than real relationship between state and the nonprofit sector. These authors assert that the nature of government-INGO relationship in reality, varies, by level of analysis, i.e., by fields of service or by individual organizations. In order to fully comprehend the character of government-nonprofits relationship, one has to appreciate that nonprofits have different functions (e.g., service, advocacy, social, representational) and consequently, they each relate to the state in different ways. For this reason, this research is restricted to a study of disaster relief and development international NGOs.

Gidron, Kramer and Salamon’s (1992) conceptualization of the government-INGO relationships is one that is closely related to the subject of organizational autonomy. The authors characterize the relationship between government and INGOs in

terms of the level of discretionary power or control over the financing and provisional functions of any program (see Table 2 below). So in their view, although the state may provide funding for services, it does not necessarily exert full control over the provision of the services (Gidron, Kramer et al. 1992). Consistent with a government-INGO contractual relationship, the fourth column in Table 2 suggests that “collaborative” relationships occur when the government finances programs provided by INGOs. Thus, although the government controls the purse-strings, it may also provide nonprofits with room for discretion or for making autonomous decisions. INGOs may have some discretion in the management and implementation of government-funded programs (Gidron, Kramer et al. 1992). However, it is not clear what government control over finances entails and how that impacts INGO implementation.

Table 2: Models of Government-Third Sector Relations (Gidron, Kramer et al. 1992)

Function	Government Dominant	Dual	Collaborative	Third Sector Dominant
Finance	Government	Government/Third Sector	Government	Third Sector
Provision	Government	Government/Third Sector	Third Sector	Third Sector

The above model however is not clear about the nature of program management and implementation discretion when both the government and the nonprofit participate in the financial support of the program and the provision of service i.e., the dual or parallel-track model. Gidron, Kramer et al. (1992) however point out that “dual” relationships can take two forms, that is, nonprofits as “supplementary” to the state, that is, delivering the same kinds of services to clients not reached by the state or “complementary” – by filling the needs not met by government. While the model is insightful, it fails to acknowledge

that though funding may come from government, it comes through funding mechanisms (i.e., contracts, grants, cooperative agreements) that present unique operating characteristics and programmatic consequences for the nonprofits (Salamon 2002a). The model also seems incomplete when we take into account the influence different government rules, regulations and conditionalities attached to funding have on INGO service provision or implementation.

Young (2000; 2006) and Najam (2000) provide alternative characterizations of government-INGO interactions that describe and explain how different kinds of relationships develop between INGOs and government. According to Young (2000; 2006), the interactions between government and nonprofits are animated by different theoretical economic strands. Similar to Gidron, Kramer et al. (1992), the “supplementary model” postulates nonprofits as fulfilling the demand gap for public goods and services left unsatisfied by the public sector. This is also consistent with the government and market failure theories. According to the supplementary view, as private financing of public goods increases, government expenditure is expected to drop. This inverse relationship implies that as the public sector takes more responsibility for the provision of public goods, there is a less need for voluntary collective provision. Hence the view explains the dominance of one type of institutions over another in providing public good and services.

Also similar to Gidron, Kramer et al.’s (1992) “collaborative” view, Young’s “complementary” model depicts nonprofits as partners to government, carrying out the delivery of public goods while the government serves as the financing partner. This is done through contracts and grants. This view is also consistent with Salamon’s (1995)

view of nonprofit agencies as implementing partners of government. In this direct relationship between the state and nonprofits, an increase in government funding results in increased levels of nonprofit activities. Finally, Young’s “adversarial model” describes a reciprocal relationship where the nonprofit push government to make public policy changes and maintain accountability to the public. In turn, government influences the behavior of nonprofits through regulation and oversight of its services, as well as responds to its advocacy initiatives.

Young (2000; 2006) however does not question whether different funding mechanisms would affect these relationships in different ways. Najam (2000) on the other hand, bases his Four-C’s model of government-INGO relations on a theory of strategic institutional interests. This view regards the emergent relationships between government and INGOs as a function of whether the goals (ends) and strategies (means) of government and INGOs converge or diverge (see Table 3). “Cooperative” relationship exists when there is alignment between the goals and strategies of both parties, while the relationship becomes “confrontational” when the goals and strategies collide. Najam (2000) also posits a fifth possibility characterized by non-engagement. This may exemplified by the decisions of INGOs such as Oxfam America and Direct Relief International to pass on government funding.

Table 3: Four-C’s Model of NGO-government Relations (Najam 2000)

Preferred Strategies (means)	<i>Similar</i>	Goals (ends)	
		<i>Similar</i>	<i>Dissimilar</i>
		COOPERATIVE	CO-OPTATION
	<i>Dissimilar</i>	COMPLEMENTARY	CONFRONTATION

Again the model does not get into detail about how the decision making competencies of INGOs are influenced when a government-INGO relationship is deemed complementary or cooperative. In other words, do INGOs have more discretion when their goals and strategies are similar to those of their state benefactor or when they share similar strategies but not similar goals? Branching off from Najam's (2000) theory of strategic institutional interests, this research first draws the assumption that government preferences and interests are articulated through different funding, through different funding tools. In other words, knowledge about whether an emergent relationship is cooperative or complementary does not tell us much about the degree to which INGOs' is compromised. This proposition is consistent with Salamon's (2002a) and Schneider and Ingram's (1990) suggestion that different policy tools are selected on the basis of the kinds of behaviors they are intended to induce. In my view, government-INGO autonomy relationships are probably best understood in the context of funding.

Using a case study approach, Gronbjerg (1993) goes beyond merely providing a typology of government-INGO relations by examining how different funding environments and institutional structures influence INGO management tasks. She examines these through organizational environments, resource dependence and strategic management lenses. Though referring to domestic nonprofits, Gronbjerg (1993) proposes a model that defines the distinctive institutional environment within which nonprofits and government interact (see Table 4 below). The model is defined in terms of the public sector's dependency on nonprofits and the degree of prominence of the proprietary sector, i.e., private sector providers. As such, the dominance of one type of nonprofit in a

particular policy arena is influenced by how dominant the private sector is in the same arena, as well as by the level of public investment or endorsement.

For example, the “cooperation pattern” exists when, because of market or contract failures, people who want the service cannot afford it, or when the service itself is not easily standardized, thus creating insufficient incentives to foster the entry of the proprietary or private sector. Similar to Najam, cooperation between the public and the nonprofit sector comes about as a result of a shared commitment to substantive goals and the limited public resources devoted to the issue area (Najam’s 2000). In the early stages therefore, the public sector may actually be dependent on the more developed nonprofits to execute the public mandate. Related to disaster relief and assistance INGOs, this suggests that the U.S. government may be dependent on INGOs to implement some of its foreign assistance policies, in return for financial support.

Table 4: Nonprofit Institutional Environments (Gronbjerg 1993)

Public Sector Dependency on Nonprofit Sector		Dominance of Proprietary Service Sector	
		<i>No</i>	<i>Yes</i>
	<i>Yes</i>	COOPERATION (Social Services)	ACCOMMODATION (Health)
	<i>No</i>	COMPETITION (Education)	SYMBIOSIS (Community Development)

Gronbjerg’s “competitive pattern” arises when the public sector has a strong vested dominant interest in a particular policy area (e.g., education) and is directly involved in the delivery of the service. While the public sector’s strong responsibilities over the service create barriers to entry of the proprietary sector, the establishment of direct public services also implies that the public sector is not so dependent on nonprofits

to implement the services on their behalf. Gronbjerg (1993) envisages a relationship characterized by an implicit division of labor between nonprofits and public sector. The competitiveness of the relationship thus arises as a result of a scarcity of resources (Gronbjerg 1993). Given that the government rarely directly provides humanitarian assistance (perhaps with the exception of the use of the military in relief aid (Stoddard 2002a)), the competitive pattern however does not seem to describe the relationship that exists between government and INGOs. However, the situation may change if resources become more constrained, especially if more of the proprietary sector decides to become more socially responsible and implement its own social programs (e.g., Coca Cola implements its own water and sanitation programs in Africa).

The “symbiotic environment” on the other hand emphasizes a co-existent relationship that ranges from mutual advantage to mutual exploitation. In such an environment, nonprofits play a specialized role given their inability to compete directly with either the public or the private sector. In this situation, the only role nonprofits can play is that of mediation or drawing attention to the decision making process (Gronbjerg 1993). Overall, the model captures key aspects of the organizational funding environments in which nonprofits operate in the United States, though it does not address the concept of nonprofit autonomy in detail.

A final government-INGO typology discussed here is one by Coston (1998). Similar to Najam (2000), Coston (1998) provides a more internationally-oriented model of government-INGO relationships. Using extensive empirical research, Coston (1998) created a typology with eight classifications of government-INGO relations predicated on two dimensions, the power relationship between government and the nonprofit sector,

and the acceptance or resistance of the sectors to institutional pluralism. The government-INGO relationship is observed to vary with the degree of the formality of interaction (shown in Figure 1). As such, an environment with symmetry of power between government and INGOs and a greater acceptance of institutional pluralism or autonomy is likely to result in more “complementary” or “collaborative” relationships (Coston 1998). “Collaboration” entails an explicit relationship or partnership between autonomous actors, where the partnership rests on formal agreements, a balance of power and an environment characterized by an acceptance of institutional pluralism. In this environment, INGOs participate in the planning and policy making processes (Coston 1998). The description of government funding tools provided here however, suggests not so much a partnership but a relationship, where government retains control over INGO activities.

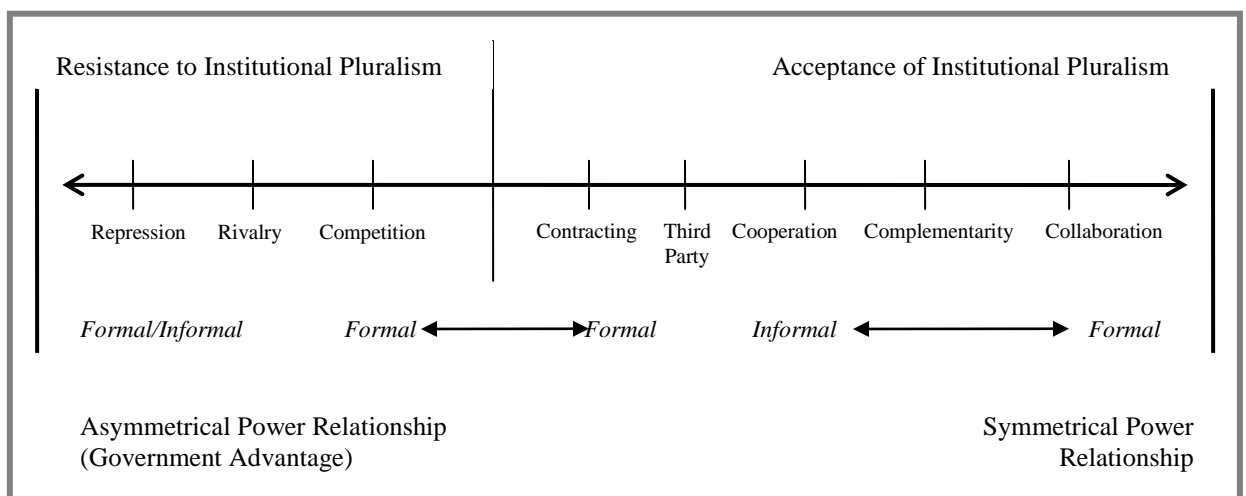


Figure 1: Model of Government-INGO Relationships (Coston 1998)

Conversely, relationships characterized by rivalry or repression emanate from an environment where there is greater resistance to institutional autonomy and where the government enjoys greater power at the expense of INGOs. Coston (1998) however,

notes that it is this relationship that dominates between government and INGOs since the government enjoys a power and resource advantage over INGOs. Assuming that government-INGO relationships are rarely based on equal partnership, this may explain the link between government funding and INGO autonomy loss.

In summary, the models presented above, illuminate that different environmental and institutional conditions influence the forms of interactions that can emerge between government and nonprofits (see Table 5). While the different forms of government-nonprofit interactions articulated in the models share some similarities, inconsistencies remain as to the key environmental and institutional conditions and factors that influence the government-nonprofit relations.

Table 5: Summary of the Government-Nonprofit Typologies

Author(s)	Environmental/Institutional Conditions	Type of Government-Nonprofit Interactions
Weisbrod (1977)	Majority rule	Competitive Zero-sum relationship
Gidron, Kramer et al. (1992)	Service financing function Service provision function Shared service financing Shared service provision	Government Dominant Dual or Parallel-Track Collaborative Third Sector Dominant
Young (2000; 2006)	Supply & Demand Economic models	Supplementary Complementary Adversarial
Najam (2000)	Strategy and Goal divergence/ convergence	Cooperative Confrontation Co-optation Complementary
Gronbjerg (1993)	Dominance of the private sector Dependence on the nonprofit sector by the government Public investment or endorsement	Accommodation Competition Cooperation Symbiosis
Coston (1998)	Symmetry or asymmetry of power relations Acceptance or rejection to institutional pluralism Degree of formality of the interaction	Ranges from Repression – to – Collaboration

Overall, the models fail to shed much light on how each emergent relationship form influences the way INGOs make decisions about their activities, that is, INGOs'

decision making competencies. The literature points out that there are dangers associated with receiving government funding, especially since government may have divergent and possibly conflicting motives, demands and expectations (Smith 1993; Salamon 2003; Kerlin 2006a). It is this gap that this research addresses by examining the influence that government funding may have on INGO autonomy.

Although Najam's (2000) theory of institutional interests and preferences does not articulate how government articulates its interests and preferences, this research builds on this theory by drawing the assumption that government articulates its interests and preferences through funding. Essentially, this study posits that government's interests and preferences are articulated through government funding choices and specified through specific funding mechanisms. As a result, each funding tool impacts INGOs' autonomy in different ways. Whether the emergent government-INGO relationship is deemed cooperative, complementary or not, probably makes very little difference in terms of the autonomy of INGOs.

2.3 U.S. Foreign Aid Policy Environment: Implications for INGOs

Unlike governments, INGOs "do not enjoy the legal status enjoyed by nation-states and their representatives under international law" (Ahmed and Potter 2006), e.g., the diplomatic immunity extended to governments. Rather, INGOs are subject to the laws of the nation-state within which they reside as well as those of the nation-states where they operate. As Ahmed and Potter (2006) also note, the legal status of INGOs within their own states is no trivial issue given that it is this environment that determines whether INGOs are permitted to operate and if so, under what terms. This section

illuminates how the position of U.S. based INGOs may be influenced by U.S. foreign aid policies.

One way of viewing the environment in which INGOs exist is by identifying the reasons for aid provision by nation-states. This helps us to understand the kinds of purposes a government pursues with its aid and why it selects certain kinds of purposes and not others (Lancaster 2007). The debate surrounding this concern centers on whether foreign aid should be utilized for diplomatic purposes, that is, to advance “the national security and economic interests of the donor country,” or development purposes, that is, “to help better the human condition in [the] countries receiving aid” (Lancaster 2007). Consistent with Kerlin’s (2006a) observations, “...we need to understand the often neglected domestic politics of aid in aid-giving countries [that is, understand] the widely shared ideas and norms shaping aid giving, the political institutions in which aid decisions are made, the interests competing for influence over aid’s purposes,” and how government is organized to manage its aid (Lancaster 2007). So while international NGOs may have ideologically and historically been regarded as apolitical organizations, their roles have major political implications (Ahmed and Potter 2006), not only because they operate in foreign nations, but by virtue of receiving funding from the U.S. government.

The questions about why nation-states give aid however are not new. In the 1970s and 1980s, using formal modeling techniques, economists predicted that bilateral aid donors would be driven by donors’ own interests (Lancaster 2007). Such predictions were based on correlations between how much aid was provided to certain countries and the characteristics of those countries. Such predictions, would postulate that the U.S.

government was motivated by the Cold War concerns, while the French were motivated by the desire to maintain a post-colonial sphere of influence in Africa (Dudley and Montmarquette 1976; Alesina and Dollar 2000; Dollar and Levin 2004). In this light, the role of INGOs would consist of implementing donor interests. Alternative to this view is the “dependency” perspective which emanates from the Marxist and the postmodernist schools of thoughts. This perspective regards foreign aid as a capitalist instrument used by dominant nations to control and exploit developing countries (Cockcroft, Frank et al. 1972; Rodney 1974; Escobar 1995). INGOs would be regarded as mere conduits for exercising that dominance, a view that would threaten their credibility and legitimacy.

The “constructivist” perspective on the other hand, portrays foreign aid as a social norm that emerges from the interaction between rich and poor nations. This view argues that foreign aid cannot be explained in terms of political or economic interests instead, foreign aid is predicated on the belief that long-term peace and prosperity is only possible in a generous and just world order (Lumsdaine 1993). Inherent in the current U.S. foreign aid policies are some of these constructivist notions. For instance, “the *National Security Strategy* introduced by President Bush in September 2002, underscores that, although poverty, poor health and lack of economic opportunity do not lead directly to unrest and terrorism; they can be their precursors” (Kerlin 2006a). The inherent security concerns however, may have reinforced the politicization of U.S. foreign aid, thus overriding the development-oriented purposes explicit in the constructivist perspective.

Based on the foregoing theories, it is clear that any discussion of government-INGO relations, especially with the objective of trying to understand NGO autonomy, should account for one crucial element, “the impact of domestic [and foreign] politics on

aid-giving” (Lancaster 2007). This is crucial since U.S. motivations behind foreign aid have been depicted as a “Morgenthau Puzzle,” which describes a mixed-purpose approach to foreign aid (Morgenthau 1962; Lancaster 2007). While the U.S. foreign aid began as an instrument for diplomacy, today it is characterized by a dual purpose – diplomatic ends and altruistic values (Lancaster 2007). Based on this dualistic approach to foreign aid, one could speculate that the goal misalignment between government and INGOs that Kerlin (2006a) states occurs when the motivation behind government funding exhibits diplomatic leanings at the expense of the altruistic values of international NGOs. As a result, INGOs lose their autonomy and may start to act as mere appendages of government implementing government projects.

Alternatively, goal misalignment may occur as a result of ideological or philosophical differences about how humanitarian problems should be solved. An example of this is implicit in why CARE turned down federal funds for food aid and intends to phase out the practice by 2009. According to one CARE staff member, importing food from the United States which is then sold in an aid recipient country in exchange for money that is then channeled to aid provision has the danger of stunting the growth of local agriculture thus damaging both the local farmer and the trade. Contrary to the U.S. federal government, CARE regards this system of monetization as inherently flawed and inefficient (Dugger 2007).

Note however that, the tension between dual purposes of the U.S. foreign aid policy is no historical accident, but is a consequence of two factors, the peculiarities of U.S. domestic politics which is characterized by left-right wing controversy over its utility, and “the nature of American political institutions, which tend to amplify

controversies involving foreign aid” (Lancaster 2007). Other actors also influence foreign aid. For example, by 2006, domestic political support for foreign aid geared toward relief and development was strengthened by a growing engagement of the evangelical movement in development and related activities abroad (Lancaster 2007). In addition, the War on Terror also elevated the prominence of diplomatic purposes in aid provision. As such, it is within this dual-purpose-tension climate that U.S. based INGOs must exist. This motivates our investigation of the influence a funded relationship with the U.S. government has on INGO autonomy.

The influences of domestic and foreign politics on aid-giving also highlight the fact that different federal administrations, approach foreign aid in different ways. This may imply different kinds of relationships with INGOs. A good example of this is The Global Gag Rule highlighted in Chapter 1; first announced in 1984 by President Ronald Reagan, the rule was rescinded by President Bill Clinton in 1993 only to be reinstated by the Bush Administration in 2001.

For the most part however, the direction and motivation for foreign aid has been determined by changes taking place in the global environment (A detailed timeline of the U.S. foreign aid policy is provided in Appendix 1). For instance, the fall of the Berlin Wall and the collapse of the Soviet Union (USSR) in 1989 resulted in emergent countries rising from the demise of the USSR. The Bush Administration responded by providing aid to support these political and economic transitions (Lancaster 2007), some of which was provided through INGOs.

On the other hand, U.S. support to Sub-Saharan Africa in the early 1990s was spurred by an increase in the demand for multiparty elections and democratic

governments in that part of the world (Lancaster 2007). Scholarly discourse during the Clinton Administration also provided justification for investing in the promotion of democracy. Specifically, President Clinton declared that democracy was a necessary precursor to international security because democratic countries were perceived as predisposed against inter-state wars (Lancaster 2007). In addition, aid was also provided in response to global problems such as environmental degradation and international health, in particular, the rise and impact of the HIV/AIDS pandemic.

At the domestic politics front, it is important to recognize that bilateral aid provision is also governed by numerous congressional “earmarks” and “directives” (Stoddard 2002b). For example, “Congress has the power to impose legislative earmarks on how aid is used or what countries or organizations receive it,” and this was especially so beginning with the Clinton Administration given the administration’s dedication toward the promotion of democracy as shown above (Kerlin 2006a; Lancaster 2007). Earmarks and directives are also a mechanism to ensure that congressional priorities as well as those of the administration are implemented. While the 1970s directives and earmarks were largely characterized by sectoral allocations (e.g., for agriculture, health or education), the scope and specificity of earmarks and directives have actually intensified over the years. “By 2005, they were often quite specific as to how the aid should be” (Lancaster 2007), further constraining INGO autonomy if channeled through them. Different institutions within the U.S. government not only determine federal expenditure but also shape policies. Most importantly, consistent with Salamon’s (2002a; 2002b) framework, not only does government articulate its strategic institutional interests via earmarks and other policy instruments, but different institutions do so as well.

Clearly, the debate surrounding government-INGO relationship extends to the current political climate. The terrorist attacks of September 11, the national security priority, and the current War on Terror are developments that have had major implications for U.S. foreign aid policy and hence influence the nature of the relationship between government and INGOs. As has been noted above, the White House's *National Security Strategy for the United States of America* (September 2002) elevates development purposes of aid as one of the three priorities of U.S. foreign policy, along with defense and the promotion of democracy abroad (Kerlin 2006a; Lancaster 2007).

Also clear is the prominence of INGOs as *the* official public policy implementing partners of government (Smith 1993; Salamon 1995; Forman and Stoddard 2003; Salamon 2003). And as Coston (1998) pointed out, a competitive relationship has historically dominated relations between government and INGOs. And since government enjoys both a power and resource advantage over INGOs, an analysis of government funding-INGO relations in the absence of an appreciation of the political (and global) environment within which INGOs operate would fail to provide a complete picture of the degree to which INGOs retain or lose their autonomy.

2.4 Government Funding and INGO Autonomy: Then and Now

Speculations over the dysfunctional consequences of government funding have been discussed in the literature since the early 1900s. For example, Fleisher (1914) saw the determination of the boundaries between state and the voluntary sector as a complex and perennial problem (cited in Smith 2006). Beck (1970) and Manser (1974) also identified dependency, a dilution of the advocacy role of INGOs, increased

bureaucratization and professionalization and a loss of autonomy (see Kramer 1985), as some of the dysfunctional consequences of government financing of INGOs.

However, not only is there no clear definition of autonomy, evidence supporting autonomy loss is ambiguous. For instance, a study of the Greater New York United Way conducted by Hartogs and Weber in 1978 yielded little data to support the alleged inverse link between government funding and INGO autonomy. Instead, most organizations reported that government funding actually enabled them to carry out their programs more effectively, that is, “rather than leading voluntary agencies into oblivion, government funding permits their survival as they deliver services for which the government is willing to pay” (Hartogs and Weber 1978; Kramer 1985). In fact, the core program, i.e., the original purpose of the agency’s *raison d’etre* and the services rendered to accomplish the *raison d’etre* and the target population essentially remain the same in spite of government funding (Hartogs and Weber 1978). Another study emanating from an Urban Institute national survey of 3,411 nonprofits conducted in 1982, also revealed little evidence of mission distortion as a consequence of government funding (Kramer 1985).

Kramer (1985) attributes the above conclusions to the payment-for-service form of transactions which involved less control than grants or subsidies; a lack of incentives and capacity in government for stricter accountability controls; and the diversity of nonprofit income sources. In his view, the threat to organizational autonomy is not credible in light of a lack of government oversight and monitoring. Instead, Kramer (1985) argued that the high degree of income pluralism was more likely to result in goal

deflection [than autonomy loss], owing to the entrepreneurialism and vendorism stemming from the problem of donor dependency.

However, a lot has changed since the 1980s – for one, the government has increased its efforts to foster and demand INGO accountability. For example, the passage of the Government Performance and Results Act of 1993 (GPRA) has injected a high demand for performance measurement of government operations at all levels (Gronbjerg and Salamon 2002). This mandate has offered the “federal government a valuable tool for catching up with the demands of managing indirect government” by providing managers with an avenue for “focusing on what goals they seek and how well their programs achieve them, regardless of who actually does the work” (Kettl 2002). This has also strengthened government’s ex post oversight (Posner 2002). Also noted by Ebrahim (2003a), heightened accountability concerns have resulted in increased oversight and INGO regulations by both government and other donors.

Nonetheless, the speculations surrounding the link between government funding and the loss of INGO autonomy remain pervasive in the literature. For example, it has been argued that contracting out profoundly changes nonprofit organizations because nonprofits belong to a “like-minded community” of people whose primary concern is responsiveness, and are responsive to the norms of that community, while government tends to approach services and clients from an equity standpoint (Weisbrod 1977; Smith 2006). Norms of equity create challenges for government officials by requiring them to provide justification for providing services to one group as opposed to another (Smith 2006). Though referring to domestic nonprofits, Smith (2006) also argued that government funding does affect nonprofit agencies’ operations, particularly the services

provided and the clients served. Smith also predicted that “the specific effects are likely to vary depending on the type of services provided, level of professionalization, the agency’s origins and mission, as well as the character of the government-nonprofit relationship.” A fresh investigation, with more clear measures of organizational autonomy, into the government-INGO autonomy relationship is necessary.

Hulme and Edwards (1997) also speculate that the risk to an INGO’s autonomy appreciates with receipt of government funding. INGOs are especially at risk when their goals and those of government are not aligned (Kerlin 2006a). Nonetheless, the real impact of government funding on nonprofit organizational autonomy is largely unexplored (Kerlin 2006a). Perhaps this gap in the literature can be attributed to limited attempts to explicitly investigate the different forms of government financial transfers – the means by which government articulates its institutional strategic interests and preferences, as well as the dearth of clear organizational autonomy measures applicable to the nonprofit sector. Although this research is unable to quantify the degree of INGO autonomy loss given the qualitative research design adopted here, the study does however provide insights as to the degree to which government funding undercuts INGO autonomy across specific dimensions, relative to other funding sources. This research also seeks to understand the mechanisms through which such autonomy loss may occur.

Investigating the government funding-INGO autonomy dynamic has become even more crucial given the increasing popularity of international NGOs with government and official donors as credible implementing partners of public policies. This comes in the wake of the dismal failure of the government-to-government foreign aid and development assistance approach (Hulme and Edwards 1997; Stoddard 2002b; Forman and Stoddard

2003; Grossrieder 2003). In a sense, part of the allure of the nonprofit sector may derive from the distinctive character of INGOs as being what governments are not, that is, “not bureaucratic, not rigid, not directive, and not stultifying of local initiatives” (Smillie 1993) and not corrupt and wasteful. In addition, nonprofits project a reputation of neutrality, independent and impartiality and a level of responsiveness that is characterized by speed, effectiveness, efficiency (Smillie 1993; Smith 1993), programming innovation beyond the reach of official political or bureaucratic actors, a participatory approach, and an ability to reach the poorest sectors in developing societies (Smith 1993; Robinson 1997; Forman and Stoddard 2003).

Although INGOs have come to be regarded as the operational arms or the implementing partners of government and multilateral assistance agencies (Salamon 1995; Forman and Stoddard 2003), a mistrust of INGOs still lurks in the shadows. For example, some regard INGOs as veneers for spies or simply as pawns or tools for furthering the objectives of their own national donors (Atmar 2000; Forman and Stoddard 2002). This view is consistent with those that predicted that bilateral aid donors would be motivated by their own interests (Lancaster 2007). So, while in some circles, INGOs have been depicted as the “saviors of failed economies,” i.e., consistent with the constructivist view, they have also been reviled as puppets of Western imperialism, i.e., consistent with the dependency view (Carapico 2000). Such conflicting notions continue to raise concerns about the influence of funding on INGOs given that those who fund nonprofit organizations may have strong diverse and possibly conflicting motives, demands and expectations at odds with those of INGOs themselves (Salamon 2003; Kerlin 2006a).

Others have also observed that nonprofits begin to resemble those who fund them, thus suggesting a blurring of sectors (Young 1984; Brody 1996). The ‘new governance’ paradigm also posits an interdependent relationship between government, the private and third sectors (Salamon 2002a). Despite this purported interdependency between government and the third sector, INGOs often are “in agreement with government on the basic goals of saving and improving lives abroad, although they are at times out of alignment with government in terms of ideology and approach to international work (Kramer 1985; Robinson 1997; Salamon 2002a; Kerlin 2006a). In light of the increasing politicization of foreign aid, and given that foreign assistance has become an important tool of foreign policy, INGOs are increasingly confronted with complex questions about their ability to remain autonomous while accepting government funding (Atmar 2001; Duffield, Macrae et al. 2001; Fox 2001; Stoddard 2002a; Kerlin 2006a).

The influence of government funding has also been inversely linked to INGOs’ ability to advocate and respond effectively to their missions (Kramer 1985). For instance, “[I]NGOs are facing increasingly difficult questions about their autonomy (Smith 1993), legitimacy, and ability to advocate when accepting government funding” (Kerlin 2006a). “In several European countries, Canada [and the U.S.], special funds have been earmarked to support [I]NGO activities in regions that are foreign policy priorities of the home governments (such as former colonies) or specific issues of domestic public concerns (such as AIDS, women in development)” (Smith 1993; Lancaster 2007). Smith (1993) goes further to state that although none of the restrictions on the funds necessarily run contrary to the goals or interests of INGOs, they do reduce the autonomy of INGOs to set their own agenda, increase the temptation for some INGOs to undertake activities

that lie outside of their areas of expertise or scope in order to attract grants and subsidies, and skew their activities towards immediate relief as compared to programs that produce enduring results. Scholars are therefore encouraged to investigate the mechanisms by which INGOs are responding to the stringent and restrictive government funding conditions in order to preserve their independence (Smith 1993); a challenge that is undertaken in this research. And like Smith (1993), it is crucial to recognize that government funding is associated with stringent restrictions which may constrain INGOs' autonomy. A CARE staff member contributed the rise in restrictive U.S. Government (USG) funding to the very outsourcing of USG functions, including foreign assistance.

It is worth pointing out that nonprofit organizations are not unique in being influenced by their funding relationship with governments and donors. Public agencies, though distanced from central government, have also faced questions concerning the devolution of power and authority vis-à-vis the actual discretionary powers that public agency managers have when making strategic and policy decisions on the ground (see (Behn 1995; Christensen 1999; Carpenter 2001; Verhoest, Peters et al. 2004). Examples from the public administration and management literature also suggest a positive link between organizational autonomy and performance and responsiveness (Behn 1995; Braadbaart, Van-Eybergen et al. 2007). For example, Behn (1995) positively linked discretion to performance and staff motivation.

Other researchers have also observed that although the steady increase in government funding for INGOs to undertake development and relief work in developing countries has been taking place since the 1960s, the changes in both the amounts and purposes of such funding raise serious challenges for INGOs' autonomy (Smith 1993;

Gronbjerg and Salamon 2003). These changes were also accompanied by changes in the nature of government-nonprofit relations (Gronbjerg and Salamon 2002). In particular, the substantial growth in government spending and support of nonprofits inadvertently “created the need for greater formality and structure,” and subsequently a loss of flexibility not only for nonprofit organizations but also for government (Gronbjerg and Salamon 2002).

Though chiefly ignored, there are several other largely positive sides to this complex story of government-INGO exchange relationship. For example, closer relations with government have been associated with increased professionalization on the part of INGOs (Kramer 1985; Korten 1990 cited in Robinson 1997). And while recognizing the dangers of “too close” a relationship with donor governments, Commins (1997) notes that, closer relationships have also led to positive results at least for World Vision International (WVI), where the organization has been able to achieve some balance between work done in the field and policy work on aid issues. In particular, WVI has been able to exert influence on public policy by persuading governments to revise their funding priorities, a process labeled “reverse agenda” (Commins 1997).

Commins (1997) also reports that although (the umbrella association) InterAction was concerned that the government funding of its members would result in reduction in public policy work, a review of the period from the mid-1980s to the mid-1990s revealed that this has not been the case. Commins (1997) does not seem to regard the loss of organizational autonomy as the main concern. Instead, he is more concerned about INGOs’ ability to be accountable to multiple actors or funders, which, based on the

discussion of autonomy and accountability supplied in Chapter 1, is really an interventional constraint question.

In summary, the literature does reveal differences between INGOs and government preferences, particularly on where aid is provided and the kinds of programs offered (Smith 1993; Stoddard 2002a). While it is commendable that WVI criticized the U.S. government for cutting assistance for human development programs such as those related to child morbidity, mortality and education in the early 1990s (Commins 1997), Mawer (1997) points out that donor influence on INGOs is far greater than INGO influence on donors (reverse agenda). As such, it would seem that donors, intentionally or inadvertently, have relatively more power to reshape INGO activities than the other way round.

Many authors seem to agree that, based on examples of INGOs around the globe (see (Dichter 1997; Hodson 1997; Pearce 1997; Perera 1997), “the tail (INGOs) is not wagging the dog (donors)” (Hulme and Edwards 1997). Instead, it seems that there is increased pressure on INGOs to become public service contractors, that is, “market-,” as opposed to, “value-oriented⁵” nonprofit businesses serving public purposes by selling their services as implementers of donors’ and government agencies’ projects and programs (Korten 1990 cited in Robinson 1997; Smith 2006). Moreover, given that different tool packages result in varying operational characteristics and programmatic consequences, and hence differentially influence INGO autonomy, it is plausible that the different policy instruments used to transfer funds to INGOs are being employed by

⁵ Value-oriented NGOs are nonprofits that define their programs on the basis of their social missions, and then seek the funding required to implement them (Brown and Korten 1991, as cited in Robinson 1997).

government to foster particular kinds of behaviors from INGOs (Schneider and Ingram 1990; Salamon 2002a; Salamon 2002b; Stoddard 2002b).

That being said, there is also evidence to suggest that at times “the tail does wag the dog” – a process Commins (1997) referred to as ‘reverse agenda.’ In as much as INGOs operate in multiple funding environments fraught with many rules, regulations and compliance demands; they also operate in a much broader humanitarian assistance and development environment that can be influential in its own right. For example, the humanitarian community establishes its own way of doing things and best practices which may influence the programs and policy solutions and strategies that funding agencies adopt. This is exemplified by The Sphere Project, which is a commitment by INGOs to establish best common practices or Codes of Conduct for emergency response.

Consistent with the above is the view supplied by Stoddard (2006) that humanitarian INGOs also influence governments’ foreign assistance policies through information. The hands-on information taken from INGOs’ field experience and best practices, can and at times, does shape governments views by influencing how policy makers frame humanitarian policy problems and the solutions to those problems (Stoddard 2006). Such information helps shape what policy actor know and how problems and solutions to humanitarian issues are framed.

This chapter summarized three bodies of literature, the U.S. foreign aid environment and its implications for INGOs’ autonomy, INGO-government relationships and the impact of INGO-government interactions on INGOs’ autonomy. These bodies of literature not only help frame this research in the current INGO-government relations

discourse; they also help to establish some context for the investigation of INGO autonomy.

Undergirding this study are resource dependence and tool choice frameworks. These two frameworks, together with the literature, highlight the environmental context within which INGO autonomy may be influenced. Assuming that funders use their donations as conduits for articulating their interests, priorities and preferences (an assumption that is not explicit in Najam's theory of institutional interests), this research investigates both the influence of government funding on INGO autonomy within the context of inter-organizational resource dependence and tool choice.

This study attempts to understand the concept of autonomy as it relates to INGOs' interactions with government funding. Understanding that government funding is provided through a variety of tools, this research also investigates into the mechanisms through which INGO autonomy is undermined. And finally, in response to Smith's (1993) challenge, the study also seeks to understand the strategies by which INGOs are responding to the constraints associated with government funding, thus illuminating how INGOs are managing the risk of autonomy loss.

CHAPTER 3

METHODOLOGY

3.1 Introduction

To investigate the relationship between government funding and INGO autonomy, this research adopts a qualitative multiple case study methodology. This methodology is most suitable when investigating a complex subject, one that is not sufficiently understood (Miles and Huberman 1994; Yin 2003; Baxter and Jack 2008; Yin 2009). Evidence from the literature is such that, the relationship between government funding and INGO autonomy has been ambiguous and therefore not fully understood. This has also been exacerbated by an absence of clear measures of organizational autonomy particularly applicable to the nonprofit sector.

Qualitative multiple case studies are also more applicable when responding to research questions that focus on “how” and “why” complex phenomena occur, and when contextual factors are believed to be relevant to the phenomena under investigation (Yin 2003; Baxter and Jack 2008; Yin 2009). This study meets these conditions in that, as indicated by the expansive literature on government-INGO relations with respect to INGO autonomy, autonomy has largely been referred to in nebulous terms like discretion, flexibility, and independence thus, lacking a clear definition and understanding as to what it really is or means. In addition, the relationship between government funding and INGO autonomy is not only complex, it is also not clearly understood (e.g., Hulme and Edwards 1997; Forman and Stoddard 2002; Kerlin 2006b; Lancaster 2007). This research therefore

seeks to understand “how” the government-INGO autonomy correlation can be characterized and explained.

This chapter outlines the research questions and hypotheses. The chapter also details the research methodology and the data collection methods employed in this study. I conclude the chapter with a review of the study limitations stemming from the qualitative multiple case study nature of the research design employed here.

3.2 Research Questions

This research investigates the ways in which funding impacts the autonomy of international NGOs, with a primary focus on the impact of U.S. government funding. Central to this dissertation is the research question, “How does government funding influence INGO autonomy?” To understand the nature of this exchange relationship, the study assesses how INGOs have experienced USG funding relative to foundation or corporate funding, with respect to their decision making competencies. Of interest to this research is to establish an understanding of the behavior of different funding sources and their impact on INGO autonomy, by focusing on the conditions attached to funding. And in an effort to understand how INGOs maximize their autonomy, this dissertation poses a second research question – “What strategies do INGOs employ to preserve their autonomy?” This study does not posit any hypotheses in response to this question.

3.3 Hypotheses

Undergirding this research are two theoretical frameworks; resource dependence and tool choice as shown in Figure 2 below. Resource dependence theory enables the

investigation of the impact of an INGO's dependence on a single funding source on its autonomy, while the tool choice approach helps investigate whether different funding mechanisms, i.e., grants, contracts, and cooperative agreements, translate into differential levels of government control of INGO activities, thus yielding varying degrees of autonomy to an INGO. As a result, resource dependence allows one to focus on the impact of an INGO's high dependence on any one funder; while the tool choice approach allows a closer examination of how and why different funding mechanisms due to their nature, would constrain INGO autonomy.

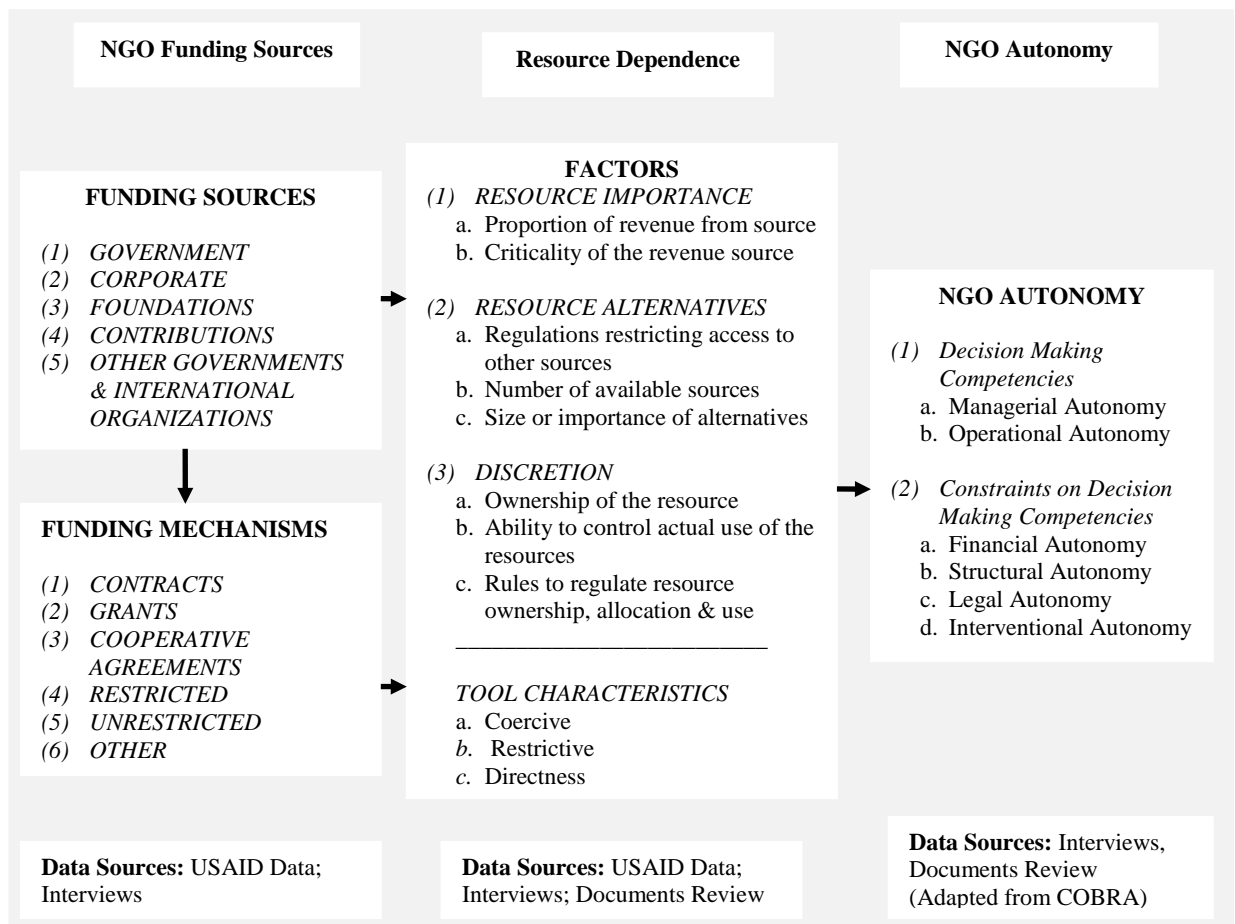


Figure 2: Theoretical Framework

In addition, both resource dependence and tool choice frameworks assume that environmental designs can be changed to affect organizational behavior (Schneider and Ingram 1990; Salamon 2002a; Pfeffer and Salancik 2003). Hence, by observing the funding environment characterized by the funding type (e.g., government, corporate, private contributions or foundations), and by the funding mechanism, one may be able to understand how and why funding influences INGO autonomy.

This research explores the impact of three factors on autonomy – resource importance, resource alternatives, discretion and tool characteristics, i.e., the degree to which the funding tool is coercive, restrictive, and direct. And while the intention was to regard the third resource dependence factor of discretion as an organizational autonomy variable since it fits into the definition of organizational autonomy provided in Chapter 1, an analysis of the data revealed the tautological challenges associated with this attempt, as will be discussed in detail in Chapter 4.

3.3.1 Resource Importance

The literature suggests that increased inter-organizational dependence by INGOs for financial resources leads to reduced control and decision making autonomy (Provan 1982; Gronbjerg 1993; Pfeffer and Salancik 2003). As noted in Chapter 1, the vulnerability or dependence of an organization to extra-organizational influence and control may depend on the importance of the resource, that is, the relative magnitude of the exchange from a particular funding source and the criticality of that resource, as measured by the extent to which an INGO can survive without that particular source (Pfeffer and Salancik 2003). As a result, greater dependence on a singular major funding

source diminishes the capacity of an INGO to make autonomous decisions since the decisions of that one major source will affect the INGO (Pfeffer and Salancik 2003).

The literature also recognizes that each funding source entails some exchange relationship with the recipient organization, and that organizations disproportionately dependent on a particular funding source must pay a relatively higher price in order to manage those exchange relationships (Gronbjerg 1993; Pfeffer and Salancik 2003). We should expect a high dependence on government funding to yield less autonomy to INGOs, especially so, given that the relationship between government and INGOs has been dominated by repression, rivalry and competition in light of the power and resource advantage government enjoys over INGOs (Coston 1998). In addition, Hulme and Edwards (1997) associated an appreciation of USG funding receipt by an INGO with an increased risk to the INGO's autonomy.

In this regard, I expect INGOs receiving a high proportion of USG funding to possess less autonomy compared to those that dependent less on the USG funding for their total revenue and support.

Hypothesis 1: High dependence on government funding as the primary source of revenue and support is likely to result in less INGO autonomy

Unlike Pfeffer and Salancik (2003), Gronbjerg (1993) considers nonprofits that develop funding in single concentrated sources to be efficient in that it simplifies management tasks by allowing the recipient "organization to specialize and fine-tune its management efforts." In a similar vein, others contend that some nonprofits have grown big, not by seeking after diverse sources of funding as conventional wisdom would have

it, but by going after a single type of funder such as corporations or government (Foster and Fine 2007). However, most of the nonprofits Foster and Fine (2007) studied reported having restricted programs or operations as a result of their high dependence on a single dominant funding source. It is likely that, by virtue of contributing the lion's share of an INGO's revenue relative to other sources, some funding sources may place more demands and control on a recipient INGO, thus undermining its autonomy. Any shifts and instabilities in the funding environment become sources of vulnerability for the INGO as this threatens the reliability of the funding source.

Another factor to consider is that, while a high dependence on institutional funders like foundations, government, or corporations may raise questions about the autonomy and perhaps the credibility of INGOs (Hulme and Edwards 1997; Kerlin 2006a), the same can hardly be surmised about a high dependence on individual contributions, especially when those contributions are unrestricted. In other words, a high dependence on unrestricted dollars would actually yield much higher levels of autonomy to INGOs than restricted funding. For this reason, we should expect INGOs with a high dependence on unrestricted individual contributions to be more autonomous than those that are highly dependent on more exacting funding sources like the USG.

Hypothesis 2: High dependence on any one dominant funding source is likely to result in limited INGO autonomy

3.3.2 Resource Alternatives

Resource dependence can also be minimized by a lack of access to alternative resources, the number of available sources, and the size or importance of the alternatives.

For the most part, an INGO's resource dependence arises due to the existence of rules and regulations that may restrict access to other resources and especially if the funding sources are important. The availability of alternative resources refers to the extent to which there are fewer funding alternatives available for INGOs, that is, whether an INGO has access to funding from other sources (Pfeffer and Salancik 2003). For instance, the increase in government funding going to INGOs, relative to foundations and corporations could be regarded as a measure of concentration of alternatives in terms of the share of government funding going to INGOs. This speaks to the substitutability of funding sources, that is, an organization's ability to replace government funding or a portion of it with foundation grants or corporate gifts. Such a strategy also reduces the criticality or importance of a single funder. The INGOs' funding environment has been characterized by intense competition among INGOs. And increasingly, INGOs have found themselves competing with the private sector for government contracts.

As noted above, enlarging its share of funding from a single source however increases an INGO's resource dependence. "Organizations are controlled by an external source to the extent they depend on that source for a large proportion of inputs or output" (Pfeffer and Salancik 2003). The maintenance of discretion is regarded as a crucial organizational activity, and one way to accomplish that is to loosen dependencies through resource diversification.

Resource diversification diminishes an INGO's dependence on any one particular source, thus diminishing the external control the funding source may have over its activities –a process called structural differentiation (Pfeffer and Salancik 2003). Dispersing dependency in this way reduces an organization's need to respond to any

given demand, instead various groups may be simultaneously satisfied, thus providing the INGO with more discretion or autonomy (Pfeffer and Salancik 2003). As the authors indicate, “the most direct solution is to develop an organization which is dependent on a variety of exchanges and less dependent on any single exchange.”

As a way of reducing their external dependence, I expect INGOs to demonstrate efforts to diversify their funding portfolios as a strategy for reducing control by any one funder. I also expect INGOs with low revenue concentration indices⁶ to be more autonomous than INGOs with high revenue concentrations (closer to 1).

Hypothesis 3: INGOs maximize their autonomy or minimize their external dependence and control through revenue diversification.

While an INGO can have access to alternative resources, a funder can exert control over those resources by regulating access to them and their exchange. In other words, a funding source can use different rules and regulations to restrict access to alternative resources in spite of their availability (Pfeffer and Salancik 2003). An example if this would be the Fly America Act noted in Chapter 1. This regulation restricts INGOs receiving USG funding from utilizing cheaper or alternative modes of transportation by requiring them to fly on American airlines, as well as transport their commodities only on U.S. shipping companies. And based on the USG’s Eligibility Rules

⁶ A Revenue Concentration Index, also referred to as a Herfindahl Index is an index that measures an organization’s degree of revenue diversification. The index ranges between “0” (least concentrated) and “1” (highly concentrated) and it is a sum of the individual revenue streams squared divided by the square of total revenue and support. **Revenue Index** = $\sum (\text{Revenue stream}_i^2 / \text{Total Revenue \& Support}_i^2)$; where i represents the INGO and j refers to the revenue stream.

for Goods and Services, USG-funded INGOs are also required to purchase U.S. manufactured inputs such as U.S. manufactured vehicles regardless of the availability of cheaper alternatives. As a result, I expect USG funding to restrict INGOs' access to alternative resources, thus yielding less autonomy to USG-funded INGOs.

Hypothesis 4: Compared to other funding sources, government is more likely to minimize INGO autonomy by restricting access to alternative resources.

3.3.3 Tool Characteristics

Certain conditions facilitate the control that some organizations may have on others (Pfeffer and Salancik 2003). Such conditions include the funding source's discretion in the allocation of the resource, as well as its ability to make its preferences known. This research assumes that funding is the mechanism through which government uses to convey its interests, priorities, and preferences to recipient INGOs. As a result, funding instruments such as contracts and cooperative agreements are used to articulate those preferences and interests, and therefore steer and direct INGOs decision making thus yielding less autonomy to INGOs. When donors retain the decision-making power to allocate resources towards specific activities, such preemptive acts result in an "allocation-effect" on INGOs resources, thus minimizing INGOs' discretion over resource allocation and use (James 1983).

In as much as the idiosyncrasies of each funding source may matter since each source displays unique environmental factors (Gronbjerg 1993), the same can be surmised about each of the funding mechanism used to transfer funds to INGOs. As proposed in Table 2 in Chapter 1, this research postulates that different funding tools, i.e.,

grants, cooperative agreements and contracts, constrain INGOs' autonomy in differential ways, owing to the degree to which the tools are coercive, restrictive or direct (Kelman 2002; Salamon 2002a).

Also noted in Chapter 1, a funding tool is deemed coercive by the extent to which it restricts an organization's "behavior as opposed to merely encouraging or discouraging it" (Salamon 2002a). And contracts are considered relatively more coercive than grants and cooperative agreements because of the way in which they specify INGOs outputs, input use, aid recipients and program operations (Brown and Moore 2001; Bean and Conlan 2002; DeHoog and Salamon 2002; Kelman 2002; Shaikh and Casablanca 2008). As such, "contractors ..., when implementing U.S. government programs, are subject to the government's direct instruction and control ..., and close public scrutiny ..., through annual independent and government audits by the inspector general" (Shaikh and Casablanca 2008).

Since INGOs implement clearly specified scopes of work, the authors assert that contracts offer the greatest accountability and transparency for government. For INGOs however, this translates into higher accountability demands which in turn undermine their interventional autonomy. I expect INGOs highly dependent on contracts and to a lesser extent, cooperative agreements, to be less autonomous than those dependent on grants.

Hypothesis 5: Greater dependence on highly *coercive* funding instruments surrenders less autonomy to INGOs.

On the other hand, the hallmark of restrictive funding tools or sources is the presence of conditionalities attached to aid which prohibit INGOs from engaging in

certain activities. For example, the United States President's Emergency Plan for AIDS Relief funds (PEPFAR) have been criticized because of the mandate they place on INGOs to adopt an organization-wide anti-prostitution policy. The same policy applies to the INGOs sub-grantees and any other INGOs they may partner with. Another example is "The Mexico City Policy also known as the Global Gag Rule, which denies U.S. family planning funds to any organization that performs, collects data on, provides referrals for, or advocates legal changes for abortion" (Jacobson 2005). In view of these examples, I not only expect contracts to be associated with lower levels of INGO autonomy, but also USG funding in general to be associated with lower levels of INGO autonomy for the funded program, relative to corporate and foundation funding.

Hypothesis 6: Greater dependence on highly *restrictive* sources of funding is likely to limit the autonomy of INGOs.

And finally, a funding tool is considered direct by the extent to which the entity financing a public activity is involved in carrying it out. This is when the authorization, funding, and execution of a funded project are essentially carried out by the same entity (Salamon 2002a). Such directness can also be interpreted as control. In this light, I expect not only USG funding, but contracts to exert more direction and control over INGOs' program implementation for the funded program (Brown and Moore 2001; Bean and Conlan 2002; DeHoog and Salamon 2002; Kelman 2002; Shaikh and Casablanca 2008), thus undermining their autonomy.

Hypothesis 7: Greater dependence on highly *direct* funding instruments is likely to result in lower levels of INGO autonomy

Note however that, while the funding source itself may not physically engage in the implementation process, it may do so indirectly, for example, by sending monitors into the field or by retaining discretion over resource allocation and use through requiring prior approvals of changes to budgets, implementation plans and key personnel.

In closing, the literature makes multiple assertions about the dysfunctional consequences of government funding by drawing our attention to a pervasive fear of government interference in INGOs' autonomy through funding (Beck 1970; Manser 1974 as cited in Kramer 1985; Lipsky and Smith 1993; Hulme and Edwards 1997; Smith 2006; Brown and Moore 2001; Kerlin 2006a). As noted in Chapter 2, Salamon (2003) indicates that INGOs face fiscal challenges associated not only with the changing funding terrain and issues relating to receiving funds from multiple sources, but also with receiving government funding. Reason being that, given its strong foreign policy orientation, USG funding may manifest in divergent and possibly conflicting motives, demands and expectations to the longer-term development focus of INGOs (Smith 2006; Lancaster 2007).

Others draw our attention to the notion of INGO credibility, that by receiving government funding, it becomes suspect that INGOs are no longer connected to the grassroots – that is, the communities they serve, thus undermining their downward accountability (Atmar 2001; Ebrahim 2003b; Kerlin 2006a). Should the negative correlation between government funding and INGO autonomy be legitimate, we should have reason to be concerned. As Pfeffer and Salancik (2003) underscore, an “organization ends where its discretion ends,” that is, to the extent that an INGO has influence and control over its own activities.

3.4 Research Design: Qualitative Multiple-Case Study

The nonprofit literature suggests an inverse link between funding, especially government funding and INGO autonomy. Employing a multiple case study design helps to explore and explain this causal link within “real-life interventions that are too complex for the survey strategy” (Yin 2003). Apart from the imprecise manner with which the subject of INGO autonomy has been dealt with, an analysis of this nature is further confounded by the fact that INGOs hire special staff to navigate and negotiate funding relationships with the diverse funding sources. This set up presents problems when trying to identify participants to respond to a survey. For example, INGOs retain foundations and corporate funding specialty staff and a separate set of staff members to deal specifically with USG funding.

In addition, the implementation of the solicited contracts and grants is usually conducted by different sets of people (e.g., the program managers and their staff members in the INGOs’ country offices), from those that negotiate the contracts and grants with the funders. Consequently, this disaggregated set of events and actors makes it difficult to adopt a survey approach. For this reason, coupled with a lack of data to allow for statistical analysis, and following careful consultation with peers in the field and the INGO community, the qualitative case study design was deemed more suitable for this study.

A case study is defined as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin 2003). While the method generally “relies on multiple sources of evidence, with data needing to converge in a triangulation

fashion,” it also has the advantage of benefiting “from the prior development of theoretical propositions [which help] guide data collection and analysis” (Yin 2003; 2009). The case study design too can be “generalizable to theoretical propositions [though] not to populations or universes – [hence] the cases do not represent a “sample” per se” (Yin 2003; 2009) While the object of quantitative designs due to the ability to enumerate frequencies is to make inferences about a population based on empirical data collected about a sample – a process called statistical generalization; case studies can be conducted with the object of expanding and generalizing theories – a process referred to as analytical generalizations (Yin 2003).

The decision to use a qualitative methodology was also inspired by other factors. The approach is instrumental in understanding how and why different funding sources uniquely influence the different dimensions of organizational autonomy. It also helps us to understand the strategies INGOs employ to safeguard their autonomy within the context of funding. For instance, understanding “how” organizational autonomy is influenced by funding not only identifies funding as the context within which autonomy loss takes place; the question also draws our attention to the existence of the mechanisms influencing INGO autonomy. A qualitative case study methodology provides the researcher with tools necessary to study the phenomenon of INGO autonomy within the specified context of resource dependence and funding tools (Yin 2003; Baxter and Jack 2008; Yin 2009).

Case study designs, unlike experiments, do not divorce the phenomenon from its context (Yin 2003; Baxter and Jack 2008). The logic of the design allows the researcher to deliberately consider contextual conditions such as the fact that unlike public or private

entities, INGOs can receive funds from multiple funding sources with diverse interests, preferences and priorities. Each exchange relationship between the recipient INGO and a funding source, presents unique environmental factors and idiosyncrasies, and thus demanding different management tasks and efforts, resulting in different degrees of management discretion (Gronbjerg 1993).

In addition, employing a multiple case study design has the advantage of enhancing the credibility of the findings since such a design is considered more robust than relying on a single case study (Miles and Huberman 1994; Yin 2003; Baxter and Jack 2008; Yin 2009). This research relies on a purposive convenient sample of three INGOs that receive differential levels of USG funding. The rationale behind this selection is predicated upon two replication logics. First, literal or direct replication enables cross case comparison by selecting similar INGOs, in this case, from the same subfield of direct relief and development INGOs (Rubin and Rubin 1995; Yin 2003; 2009).

On the other hand, the logic of theoretical replication is a technique that is used to deliberately select cases primarily because they offer contrasting scenarios; in this case, differential levels of government support. In this regard, the three organizations display varying levels of dependence on government funding. The advantage of using this technique, especially, to multiple-cases (as opposed to a single-case) is that, the technique does not only provide analytical benefits, but also strengthens the external validity, i.e., analytical generalization of the findings (Yin 2003; 2009). Multiple-cases enable the researcher to seek convergent evidence from dissimilar cases (Yin 2003; 2009).

Furthermore, the choice of a qualitative multiple case study design was also inspired by the nebulous manner in which the literature has treated the concept of INGO autonomy. The ambivalence associated with not only the concept of autonomy, but also with the dysfunctional relationship between government funding and INGO autonomy, begs a fresh investigation into the matter. A qualitative case study approach allows enough exploratory room for the researcher to navigate unclear complex relationships where not only definitions are unclear, but where there is a scarcity of literature on the subject. By employing in-depth interviews and drawing from multiple data sources, the methodology allows one to uncover nuances around the complex relationship between government funding and INGO autonomy, thus generate a detailed understanding of government-INGO exchange relationships (Miles and Huberman 1994; Baxter and Jack 2008).

Generally speaking however, the case study approach faces a number of criticisms and challenges. The design has been criticized for lacking sufficient precision, i.e., quantification; objectivity and rigor on the grounds of failing to follow systematic procedures. They have also been criticized for “allowing unequivocal evidence or biased views to influence the direction of the findings and conclusions,” thus providing little basis for scientific generalization since one can hardly generalize from a single case (Yin 2003; Babbie 2004; Yin 2009). And finally, case studies are criticized for taking too long to conduct and for resulting in massive, unreadable documents.

To counterbalance these criticisms, it is important to recognize that the case study design and its amenability to multiple sources of evidence (e.g., documents, interviews, surveys, and observations), can provide measures or indicators with greater validity

compared to surveys and experimental measurements, through triangulation and by allowing one to dig into the depth of the meaning of various concepts such as that of organizational autonomy (Yin 2003; Babbie 2004; Yin 2009). This research therefore takes advantage of this strength by relying on in-depth face-to-face (FTF) guided interviews and documentation review as the primary sources of evidence. This approach allows for an in-depth analysis of the nature of organizational autonomy as it relates to the INGOs, and with respect to government funding.

In addition, when organized carefully, the multiple case study design can follow systematic procedures especially in the data analysis stages. To ensure a systematic analysis, this research takes advantage of the three distinct phases of open, axial and selective coding inherent in grounded theory methods (detailed in Chapter 4, section 4.2.2). To enhance this systematic qualitative data analysis, the study also takes advantage of NVIVO 8 software to assist in data organization and management (also detailed in Chapter 4, section 4.2.1). As Yin (2003; 2009) pointed out, a well-organized qualitative database can also enhance the reliability of a case study since by using qualitative software one can leave a trail leading one to evidence for independent inspection.

3.4.1 The Selection Process and Criteria for the Cases

To enhance the precision of this study and to ensure a systematic approach, this study sets out criteria to guide the selection of case studies, one that can easily be replicated. The case selection process was largely conducted using two methods – the theoretical replication logic (Yin 2003) noted above – a technique quite similar to the

theoretical sampling method (Glaser and Strauss 1967), and purposive convenience sampling.

In addition, the following observations also guided the selection process; first, Kerlin (2006b) points out that, between 14 and 19 percent of USAID's overall budgets have traditionally been allocated to PVOs. And according to the National Center for Charitable Statistics (NCCS) – Guidestar National Database, while 71 percent of INGOs' revenue came from private contributions, only 20 percent came from government grants in 2003. And of the 4,124 INGOs in the NCCS international dataset, only 391 (about 10 percent) of these received government grants in 2003 (Kerlin 2006a; Kerlin 2006b; Lancaster 2007). This also indicates that USG funding does not represent the lion's share of relief organizations' total revenue and support, but constitutes a small percentage (approximately 13 percent) of their overall funding (Kerlin 2006b).

The above also shows that, government funding tends to be biased towards particular kinds of INGO activities and that is towards international relief. For instance, between 2002 and 2003, the share of USG funding to international relief INGOs increased by 60 percent, compared to a 21 percent increase in government support to education-oriented INGOs and a 30 percent increase in support of health-oriented INGOs (Kerlin 2006b).

Gronbjerg (1993) also argues that individual nonprofit service industries or subsectors constitute unique organizational environments. For example, the organizational environment for direct relief and development INGOs is distinct from that of education research-oriented INGOs. For this reason, this study restricts its investigation to a study of three U.S.-based disaster relief and development INGOs (or

PVOs) registered with the USAID in 2005. These INGOs were also registered with the NCCS.

To select the three candidates for the case study, I used the USAID Volag data from 2002, 2004, 2005, and 2006. While the data represents only 489 PVOs that were registered with USAID in 2005 (note that this does not compare to the 4,124 INGOs reported in the 2003 NCCS data); using the USAID Registry, I generated a list of 108 disaster relief and development INGOs. The three INGOs were therefore selected using two main guidelines; they had to be U.S.-based direct relief and development agencies conducting operations outside of the United States, and they had to be recipients of USG funding, though at varying levels.

Using the average share or percentage of government support received over a four year period (FY 2002, 2004, 2005, and 2006), and using the following cutoff points to capture variations in the share of government support or private contributions, that is, the degree of dependence on USG funding, I selected at least one INGO whose share of USG funding constituted,

- (i) less than *20 percent* of its total revenue and support,
- (ii) nearly *50 percent* of its total revenue and support, and
- (iii) over *80 percent* of its total revenue and support.

Figure 3 below shows the three INGOs recruited into the study and the names represent pseudonyms provided to protect the INGOs' and participants' confidentiality. Figure 3 also provides a summary of the financial profiles of the three cases; more detailed profiles of three INGOs are provided in Chapter 5.

Beta Assistance International (BETA) is the largest of the three organizations with a budget of approximately \$656 million in FY2006. Averaging its total support over a 4-year period, i.e., FY2002, 2004, 2005, and 2006, BETA's share of government funding is about 46 percent. Sigma Relief Development (SIGMA) is the smallest of the three INGOs, with a budget of approximately \$29 million in FY2006. On average, 97 percent of its total revenues support came from the USG. ALPHA on the other hand, has a budget of about \$38 million in FY2006. Averaging its support over the 4-year period, ALPHA's share of government is less than 10 percent. As such, these three organizations depend on USG funding in varying ways.

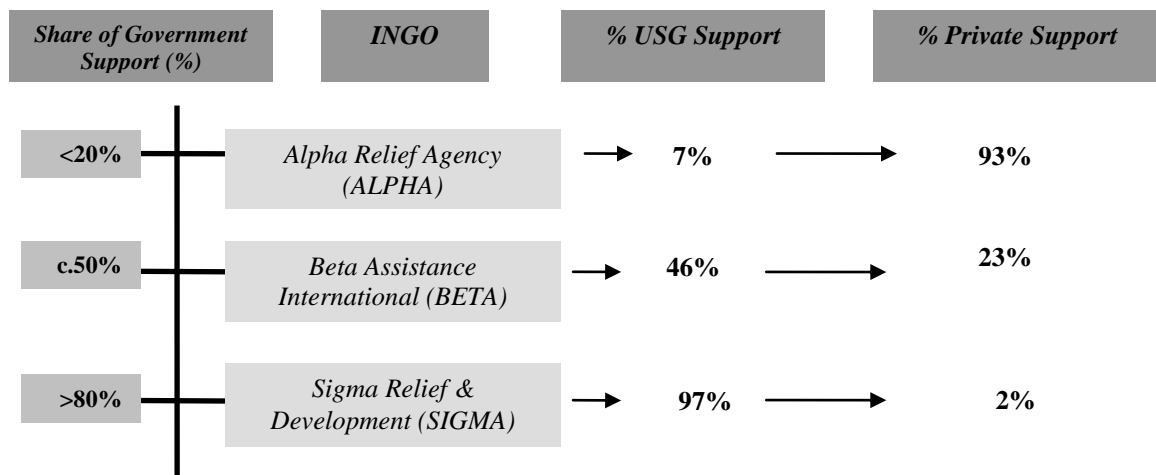


Figure 3: Selection Criteria of the Three Cases (based on Average Government Funding Support)

Despite my efforts to recruit INGOs from among the 20 largest INGOs since according to Kerlin (2000b), of the 10 percent of INGOs that receive government grants, nearly half of these are larger INGOs. Owing to the low response rate, I decided to recruit INGOs using a purposive convenience sampling method by specifically looking for case that varied along the share of government support, regardless of their size. The three

INGOs identified about were contacted via telephone and email. And upon accepting the invitation to participate in this study, I worked with my initial contact to schedule interview sessions, usually via email and telephone.

3.5 Data Collection Methods

Since this study involved contact with human subjects as a result of the interviewing data collection method, a research protocol was approved by the Georgia State University's Institutional Review Board on July 3, 2008. As a result, data for this research was collected using two key methods, in-depth interviews and document review. By allowing for triangulation hence boosting the reliability and validity of the findings (Yin 2003; Babbie 2004; Baxter and Jack 2008; Yin 2009), these two methods facilitated a comprehensive appreciation of the relationship between funding and INGO autonomy through seeking a convergence of evidence. Detailed below therefore, are descriptions of the data collection methods adopted in this study.

3.5.1 Guided Interviews

Interviews are considered to be one of the most important sources of evidence of case study information (Weiss 1993; Yin 2003; Kvale and Brinkman 2009). The decision to employ qualitative interviews as a data collection method was inspired by the capacity of the interview method to provide one with "access to the observations of others," thus yielding a deep understanding about a phenomenon (Weiss 1994; Rubin and Rubin 1995; Babbie 2004). As a process of knowing through guided conversations, interviews are appropriate for gaining insight and context (Kvale and Brinkman 2009) into the

interactions between funding and INGO autonomy. As a result, interviews can inform us about the nature of the relationship between government funding and INGOs' autonomy by providing perceived causal inferences (Weiss 1994; Yin 2003; Kvale and Brinkman 2009).

To ensure consistency in data collection, an interview guide was used to focus and direct the conversations on the topic of funding and its influence on autonomy (Yin 2003). Each participant was therefore asked the same set of questions with some exceptions, while at same time allowing sufficient flexibility for probing emergent issues (Weiss 1994; Rubin and Rubin 1995; Babbie 2004). The interview guide, which is included in Appendix 3, focused on questions covering seven key areas: resource dependence; the autonomy of INGOs; steering and control of the INGO by donors; perceptions of general administrative red tape; the influence of grants, contracts, and cooperative agreements; strategies of autonomy retention and additional questions on board influence. This last set of questions was only asked to higher level staff such as, executive directors, chief financial officers, as well as board members. Three pilot interviews were conducted with staff members from an Atlanta-based direct relief and development INGO. These interviews were instrumental in refining the interview guide. The interviews from the pilot were not analyzed for this report.

In total, 19 interviews were conducted, with only one potential participant from SIGMA declining to participate in the study because she felt unknowledgeable about INGO funding issues. Despite my intention to conduct face-to-face interviews, at the request of some respondents, five out of the 19 interviews (from the three cases) were conducted via telephone. The order in which participants were interviewed was

established on the basis of the availability of the staff members. Each face-to-face and telephone interview lasted approximately 45 to 90 minutes. Extensive field notes were also taken during each of the 19 interviews. Clarifications and follow-up questions were all conducted via email and telephone.

3.5.1.1 Description of the Study Participants

Similar to the case selection process, participants for the study were also purposively selected. In all three cases, my initial contact person from each of the INGOs suggested possible participants I could interview based on their own assessment of my information needs. These candidates were then contacted by email to establish suitability, as well as set interview dates. Additional information emerging during the initial screening, the data collection process and based on suggestions from some participants, I was able to seek out additional participants to include in the study. Ultimately, this study recruited individuals whose primary role in the organization including soliciting funding from different funding sources, especially USG funding. As a result all participants interviewed had experience dealing with either government funding, foundation grants or corporate gifts.

I also recruited Chief Executive Officers where possible, as well as Chief Financial Officers in order to gain insight into government-INGO autonomy relationships at strategic levels. And in order to augment the sample size, this study also recruited members of the board who were available to give interviews. The following participants and their roles were ultimately recruited for this study:

- *Chief Executive Offices (CEOs):* From ALPHA and SIGMA, which are the smallest of the INGOs (N=2).
- *Chief Financial Officers (CFOs):* From ALPHA and BETA, though for BETA, this was an acting position for the participant. I also recruited BETA's Internal Auditor, who had experienced dealing with the USG's A133 Audit and other internal and external compliance issues (N=3)
- *Experts on USG Funding:* In order to understand INGOs' experience with USG funding, this research recruited participants with experience soliciting USG funding, as well as responding to USG compliance and reporting requirements. These included two participants from ALPHA that is, the Director of Grants and Contracts Compliance and the Director of Institutional Funding. And from BETA, I recruited the Director of Competitive Bids whose position involves identifying funding announcements to respond to. (N=3).
 - *The following participants also had extensive experience with USG funding:* ALPHA's Program Director and the VP of International Programs; BETA's VP of Global Support, the Director of Food Programs, and the Director of Humanitarian Assistance (N=5). These directors had experience implementing different USG-funded programs.
 - Note that SIGMA's CEO and Program Coordinator (N=1), as well as ALPHA's CEO also had experience dealing with USG funding. The two participants from SIGMA are heavily involved in funding solicitation.
- *Foundation and Corporate Giving Experts:* The study also recruited participants experienced in soliciting and dealing with corporate and foundation funders.

These included the BETA's Deputy Director of External Relations and ALPHA's Foundations Expert (N=2)

- SIGMA's CEO and Program Coordinator also had experience dealing with corporate giving.
- *Board of Directors:* This research recruited ALPHA's Board Chair and Treasurer and BETA's Board Secretary (N=3). For SIGMA however, the CEO and the Program Coordinator also held the positions of Board Chair and Treasurer, respectively.

3.5.2 Issues of Confidentiality

At the signed consent of all participants, all the interviews were audio recorded using a digital voice recorder. The interviews were transcribed verbatim in order to preserve the context of the responses. The transcription phase also presented me with an opportunity to familiarize myself with the data. Both the audio files and transcribed files were stored on a password-protected computer that only the researcher had access to. And to further protect the confidentiality of the INGOs and participants recruited for this study, pseudonyms in lieu of the real names of the organizations and the research participants are used. The participants were made aware of these facts using the Informed Consent Form included in Appendix 2.

3.5.3 Documentation Review

This research collected a number of documents as sources of evidence for the case study. While the study relies mainly on data collected via face-to-face interviews;

additional sources of data include strategic plans, corporate engagement guidelines, annual reports from BETA and ALPHA. The study also reviewed an example of a contract, grant, and cooperative agreement supplied by BETA. Table 6 below, provides a summary of all the data sources. Due to privacy and confidentiality concerns surrounding sharing some of the key documents needed for this research, I was unable to obtain contracts, and grant cooperative agreements from the other INGOs. Furthermore, the INGO also determined which parts of the documents to share with me.

Table 6: Overview of the Data

	ALPHA <i>< 20 percent USG-funded</i>	BETA <i>c. 50 percent USG-funded</i>	SIGMA <i>> 80 percent USG-funded</i>
<i>In-depth Interviews (FTF & Telephone)</i>	9	8	2
<i>Field Notes</i>	9	8	2
<i>Documentation</i>	<ul style="list-style-type: none"> - Strategic Plan - Annual Reports - All efforts to obtain grants and cooperative agreements were futile. The International Programs Director referred me to the website http://www.grants.gov instead 	<ul style="list-style-type: none"> - Strategic Plan - Annual Reports - 1 Cooperative Agreement - 1 Grant - 1 Contract - Corporate Engagement Guidelines - Attempts to obtain corporate and foundation grants have been futile 	All my efforts to obtain documents from the INGO were futile
<i>Other Sources and Documentation</i>	<ul style="list-style-type: none"> - Websites: ALPHA, BETA, SIGMA, USAID; GRANTS.GOV - Requests for Proposals and Requests for Agreements (RFP & RFA) - “USAID Grants and Cooperative Agreements to Non-governmental Organization,” Automated Directives System, Acquisition and assistance Chapter 303 [ADS 303] - USAID Glossary of <i>Automated Directives System</i> [ADS] - The 2002 <i>Code of Federal Regulations</i> Title 22 – Foreign Relations, Volume 1 of Chapter III, “PART 226--ADMINISTRATION OF ASSISTANCE AWARDS TO U.S. NON-GOVERNMENTAL ORGANIZATIONS.” [CFR 22] - USAID Volag Reports (1999, 2004, 2006 & 2007) – contains Financial data on U.S.-Based -PVOs registered with the USAID. 		

Additional documents were obtained from the USAID website, with the USAID being the main U.S. agency responsible for implementing international aid programs. Documents from the USAID include;

- *Automated Directives System (ADS) Chapter 303: Grants and Cooperative Agreements to Non-governmental Organization*: This document describes the “USAID’s internal guidance, policy directives, required procedures, and standards for the award and administration of USAID grants and cooperative agreements.”
- *Automated Directives System (ADS) Chapter 302: USAID Direct Contracting (2009)*: This document describes the USAID’s “policy directives and required procedures for the procurement of goods and services through direct contracts.”
- *USAID Glossary of Automated Directives System (2009)*: This document provides a list of definition of terms that the USAID and other USG funding agencies use, thus establishing a common language and understanding of terms between the USAID and its INGO contractors and recipients.
- *Automated Directives System Chapter 591: Financial Audits of USAID Contractors, Recipients, and Host Government Entities (2005)*: This document provides “policy directives and required procedures for planning and conducting financial audits of USG-funded contractors, recipients, and host entities.”

Stipulated in this document is the requirement of an annual program-specific financial and non-financial audit – called an A133 Audit, effective of 2004. This applies to all U.S. nonprofit organizations that spend \$500,000 or more of federal awards within their fiscal year.
- *The 2002 Code of Federal Regulations Title 22 – Foreign Relations, Volume 1 of Chapter III (CFR 22)*: Published by the federal government, this document is a “codification of the general and permanent rules” governing the use of federal funding. Title 22 of the CFR for instance, contains rules and regulations

governing financial and program management, procurement standards, the Eligibility Rules for Goods and Services, and Air Transportation, among other areas. These rules are applicable to INGO recipients of USG funding.

- *Mandatory Standard Provisions for U.S. Non-Governmental Recipients:* These provisions are attached to all grants, contracts and cooperative agreements as a reminder to INGO recipients of the rule and regulations they are required to comply with as part of their funding agreements with USG funding agencies.

Note that as long as an INGO receives USG funding, the standard rules and regulations contained in these documents apply to it. As such, these documents were used as evidence to facilitate the process of triangulation described in detail in Chapter 4. And due to limited access to actual contracts, grants and cooperative agreements, I decided to review grants, contracts and cooperative agreements funding announcements from the USAID instead.

The financial data used to guide the selection and profiling of the three INGOs are obtained from the USAID Volag Reports. Unlike the publicly available NCCS-990 Core data from the Urban Institute, which does not distinguish between government grants from contracts, this data shows relatively distinct revenue sources for each INGO, i.e., the amount of support and revenue coming from the USAID in the form of food donations, contracts, and grants; support from the other USG bodies – also in the form of contracts and grants; support from other governments and international organizations; in-kind contributions, private contributions and private revenue. This data however, does not distinguish between grants and cooperative agreements as these two are lumped together under grants.

3.6 Limitations of the Study

There are several shortcomings to this research. Like with any case study approach, the findings in this study are only applicable to the three cases studied. As a result, generalization of the findings is not only limited by the small sample size, it is also limited by the limited number of participants interviewed for this study. However, this is not to say that any one of these cases does not represent some class of USG-funded relief and development INGOs; there are organizations similar to the three studied here. Notwithstanding this limitation, confidence in the findings is enhanced by the multiple cases studied, as well as the reliance on multiple sources of data which enabled triangulation (Miles and Huberman 1994; Yin 2003; 2009).

Second, the inability to access internal document due to privacy concerns resulted in some INGOs providing access to more documents than others. This affected the distribution of documents, with BETA providing more documentation. However, an advantage emanating from the examples of grants, contracts and cooperative agreements obtained from BETA is that the documents contained the USG Standard Provisions for all U.S. Non-governmental Recipients. These standards contain rules and regulations applicable to all INGOs recipients of USG funding, thus facilitating the triangulation process.

In addition, alternative data sources were obtained to make up for this deficiency. This research also reviewed a number of documents from the USAID. Such documents include the USAID's ADS (303; 302) which define and explain USAID funding instruments and when such instruments are used, the CFR 22 and a few funding announcements.

Finally, the nature of the subject of autonomy may have caused some participants to become defensive due to the problem of social desirability. This is a tendency among participants to provide distorted responses in an attempt to make themselves look better or avoid making themselves look bad (Fowler 1998). Other sources of social desirability include, providing distorted responses to avoid risking improper disclosure (e.g., about a major funding source) or as a way of managing one's self-image because the respondents do not want to think of themselves or their organization in a certain way (Fowler 1998).

However, posing the second question of how INGOs are mitigating autonomy loss helped balance out this problem in that, the question assumed that an INGO was already losing its autonomy. As a result, the question acted as a point of reflection for the participants by compelling them to explicitly consider the strategies they have used to exercise their autonomy.

In summary, the research questions outlined in this section suggest that this study is both exploratory and explanatory in nature. This is largely inspired by the dearth of autonomy measures in the nonprofit literature, as well as the scarcity of robust evidence in support of the presumed negative link between government funding and INGO autonomy. To gain insight on the complexity of INGO autonomy within the context of funding, this research employs a qualitative multiple case study methodology. By so doing, the design helps investigate “how” government funding, relative to other funding sources such as foundations, individual contributions, and corporations, adversely influences INGOs' autonomy across the different autonomy dimensions. In this regard, one is able to provide explanations for the causal link between INGO autonomy loss and government funding.

CHAPTER 4

DATA ANALYSIS

4.1 Introduction

Miles and Huberman (1994) outline three phases of a qualitative data analysis. Data reduction is exemplified by data coding and generation of themes, while data display organizes and compresses all the data codes and themes. According to the authors, the information assembled here permits the drawing of inferences, which leads to the final stage of drawing of conclusions and verification. In actuality, the qualitative analysts establishes meaning of all the data “by noting regularities, patterns, explanations, possible configurations, causal flows, and proposition,” right from the start of the data collection process (Miles and Huberman 1994).

This chapter showcases the data analysis process. Using various data displays, chapter outlines the nature of the data collected and coded for purposes of this research. The coded data is compared to the conceptual model presented in Chapter 3 for consistency. The chapter also outlines the process by which the research conclusions were drawn and verified. And given that the emergent meanings from the data have to be tested for plausibility, “confirmability,” or validity (Miles and Huberman’s 1994; Yin 2003; Yin 2009), this chapter also addresses the ways in which validity tests were conducted.

According to Miles and Huberman (1994), final phase of data analysis is in qualitative research – the verification of the conclusions, can be achieved by simply revisiting a second thought the analyst had or what Yin (2003; 2009) refers to as

revisiting rival hypotheses. This is when the analyst takes excursions back to the field notes and memos to confirm hunches (Miles and Huberman 1994; Yin 2003; Yin 2009). In addition, various triangulation techniques can be employed to facilitate this process. For instance, the analysts can conduct an in-depth review in an effort to establish “intersubjective consensus,” a type of triangulation Miles and Huberman (1994) refer to as triangulation by researcher. Since only one researcher was involved in this research, rival hypotheses were sought and explored and other triangulation techniques were employed.

Yin (2003; 2009) asserts that, in order to link data to the hypotheses and confirm the findings emerging from one’s analysis, data needs to converge in a triangulation fashion, that is, through a synthesis and integration of multiple sources of data. This study relied on what Miles and Huberman (1994) refer to as triangulation by method that is, when data collected through different methods such as, observations, interviews or documents, converges. A second form of triangulation – by source, is also employed in this study; this is when data from different participants corroborates.

In view of these distinctions and of the nature of the data available for this analysis, this research adopted the following triangulation rule for both the within-case and pooled case analyses. Findings were considered corroborated when evidence from both the interview data and any one of the documentation converged (methodological triangulation). And for situations where supporting documents were unavailable, as in the case of foundations and corporate gifts, the findings were considered confirmed when two or more of participants’ experiences, across any of the three cases corroborated or converged (source triangulation).

And as Yin (2003; 2009) also pointed out, “if two or more cases are shown to support the same theory, replication may be claimed” especially compared to a rival theory. As a result, the process of triangulation helped strengthen the interpretation of the findings, thus increasing the reliability and validity of the findings (Yin 2003; Baxter and Jack 2008; Yin 2009).

4.2 Notes on the Methods of Analysis

To facilitate the data analysis process, I used a qualitative software package called NVIVO 8. In order to facilitate a systematic data analysis, I employed the grounded theory techniques of open, axial, and selective coding.

Aside from defining the research questions, articulating the research hypotheses, and the unit(s) of analysis, some of the major challenges to using the case study approach include identifying the logic linking the data to the hypotheses and establishing “criteria for interpreting the findings” (Yin 2003). The use of multiple cases however offers solutions to this challenge through pattern matching and triangulations techniques.

The multiple-case study approach not only enables cross-case comparisons and syntheses (Yin 2003; Yin 2009); it also permits within-case analyses. In light of this and the theoretical frameworks applied in this research, the data analysis process, using the pattern matching technique, takes place at two levels. Recognition of the “organization” as the resource dependence framework’s unit of analysis, this study conducted within-case analysis by examining data collected for each INGO. And to test the tool choice hypotheses, the study employed the cross-case analysis by examining data pooled from all three INGOs.

Before probing into the nature of the data, the following sections describe the nature of the qualitative software used to assist with the data organization, management and data mining processes, as well as the methods used for data coding. This is followed by a description of the codes, nodes or concepts generated from the data and a description of the nature of the emergent data used in this research.

4.2.1 NVIVO 8: Organizing and Managing Qualitative Data

The analysis of the interview transcripts is centered on a qualitative analysis of texts using a qualitative data analysis software package called NVIVO 8. The software package, an updated version of NUD*IST (Non-Numerical Unstructured Data Indexing, Searching and Theorizing), is highly recognized for its ability to improve the quality of analysis by assisting the researcher with the organization and management of data files (Ozkan 2004; Bazeley 2007). The researcher does the coding and analysis; the software simply helps the researcher to organize and manage the data and the themes generated (Ozkan 2004; Bazeley 2007), allowing for a systematic analysis (Yin 2003; Yin 2009).

A key advantage of NVIVO is that the software allows one to “package” the emerging themes from different participants across different research questions. In addition, data analysis can be conducted on a question by question basis to compare how different participants responded to the same questions. To facilitate the basic coding and analysis, this research used a grounded theory approach as a channeling technique for the identification of themes and patterns from the data. It is important to highlight that the NVIVO 8 software only helped me to organize and manage the data in order to facilitate a systematic analytical approach for data mining. As a result, while much of my judgment

is involved in the process of interpreting and drawing meaning from the data, as well as arriving at the conclusions reached in this report; this is done in consultation with the data, as well as, the triangulation techniques identified above.

Note that NVIVO 8 also has other functions such as memoing, annotations, and queries, which can be instrumental in searching for evidence that can be utilized in hypothesis testing.

4.2.2 Pattern Matching Technique Using a Grounded Theory Approach

Unlike quantitative analysis, qualitative data analysis “involves a radically different way of thinking about data” given that it forces the researcher to “listen” to the data, by allowing the data to speak to them (Strauss 1987; Strauss and Corbin 1998). Consistent with the hallmark of qualitative research, the researcher becomes the instrument of analysis. Such a methodology therefore calls for a more flexible and less rigid approach to one’s data analysis. And this is where a grounded theory approach is instrumental in helping one to organize one’s data analytical process by implementing three distinct phases. The approach also provides a systematic procedure for analyzing qualitative data by enabling the researcher to identify the patterns or themes within the interview data using distinct analytical processes (Strauss 1987; Strauss and Corbin 1998; LaRossa 2005).

Using LaRossa’s (2005) interpretation of grounded theory approach, a method consisting three main phases of open coding, axial coding, and selective coding. I began with the open coding phase, which is an analytical process where “data is broken down into distinct incidents, ideas, events, and acts and are then given a name that represents or

stands for these” (Strauss and Corbin 1998). This process “open(s) up the text and expose(s) the thoughts, ideas, and meanings contained therein” (Strauss and Corbin 1998). Open coding therefore, fosters a *microscopic examination* of the text, by promoting a detailed, line-by-line analysis with the intent to break the data into discrete concepts or variables (Strauss 1987; Strauss and Corbin 1998; LaRossa 2005).

The axial coding phase on the other hand, involves an intense analysis conducted around an individual concept or theme. The process entails asking questions about how the emergent categories or concepts could be linked to one another, under what conditions, and with what consequences (Strauss and Corbin 1998; LaRossa 2005). The process involves a deliberate search for clues that reveal potential ways in which the concepts emerging from the interview data could be related to each another along different dimensions. For example, in order to understand the relationship between managerial autonomy with respect to human resource management and the concept of funding – I searched the data for evidence indicating variation across different funders. As a result, a statement like the following would signal the existence of variation among funder with regards to human resource management.

The USG wants to review your chief of party, but foundations don’t really care about that.

Asking the data questions like, “Does the USG approve the chief of party for every project? If not, under what conditions does it render its approval,” helps one interpret the relationships, as well as test one’s hypotheses.

Finally, once the key themes or concepts were identified, the selective coding phase helped to integrate and refine categories or concepts into a coherent theory or

“story” (Strauss and Corbin 1998), that is, to identify the “main story underlying the analysis” (LaRossa 2005). This phase helped channel this analysis toward a focus on USG funding and its associative impact on INGOs’ autonomy, relative to other funding sources, thus centering the “story” around this relationship.

To ensure a systematic analysis, I employed the *concept-indicator comparison model* introduced by Glaser (1978), but refined by LaRoass (2005). This is predicated upon a constant comparison of the indicators of concepts, i.e., the labels associated with particular indicators, as well as, the concepts themselves, as one conducts open and axial coding. Constant comparison is achieved through the identification of similarities and differences between indicators and their subsequent concepts (LaRossa 2005). The identification is achieved by asking questions such as; “What is being talked about here? What does this sentence connote? What is going on here? What is the story?” Asking these questions also helps one bring meaning to the data by enabling one to advance from data analysis into the interpretation realm (Rossman and Rallis 2003).

Based on this grounded theory approach therefore, the first step in my analysis was to conduct a careful microscopic, line-by-line analysis of all the transcribed interviews. Using open coding, I examined words, sentences, and phrases, and was able to identify a number of indicators related to the different dimensions of autonomy. Instead of giving these indicators new labels (referred to as nodes in NVIVO), I labeled indicators using the existing autonomy dimensions labels of *financial*, *managerial*, *structural*, *operational* and *interventional autonomy* formulated by Verhoest, Peters et al. (2004). Using the descriptions of each of the autonomy dimensions, I was able to identify numerous phrases or indicators that aligned well with the definitions and descriptions.

Based on this process, I was able to identify multiple indicators leaning towards each of the autonomy dimensions with the exception of legal autonomy and to a limited extent, structural autonomy. The concept-indicator in Table 7 shows some examples of indicators used to identify the autonomy dimensions coded from the interview data using open coding. Note that a theoretically saturated concept would have numerous indicators (LaRossa 2005).

Table 7: Concept-Indicator Model

LABELS/NODES						
INDICATORS (phrases or sentences)	<i>Managerial</i>	<i>Financial</i>	<i>Operational</i>	<i>Structural</i>	<i>Interventional</i>	<i>Constraints</i>
	<p>*They can reject your key personnel, they can simply say look, your chief of party isn't acceptable to us, find another one. I think that's fair, sadly, who holds the purse strings basically gets to make some decisions.</p> <p>* they don't dictate who we hire – for key personnel, particularly for a contract, they do have approval over that, they do have to agree to that, so yeah – with any big award. It is usually chief of party or something at that level needs to get the approval of the donor, of the USG.</p> <p>*I mean it's a fairly complex bureaucracy and so they prefer someone who has been through it, who understands the ropes, rather than someone who doesn't.</p> <p>*we are setting up a Grants Compliance Unit, that's a new unit, but we have had a compliance officer, but just one person. So we are increasing the resources</p>	<p>*USAID is the worst ... but they are also our single largest donor so we don't have any choice.</p> <p>* (Referring to US government funding) We've actually gone down, when I first gone down here I think it was 60% and now it's about 40%.</p> <p>* Everybody can go well, "we kind of agree with this but we are not prepared to give up the money because there is not replacement money."</p> <p>* Are you looking for resource support to basically fill your cash pipelines and even though it may not be optimally what you would like to do? I'm still going to do it because I need cash to run my program?</p>	<p>*If the organization says we are going to program this way, and you know, if some of that resource support doesn't match the way we would like to program – you say ok, thank you, but we can't do this anymore</p> <p>*there were restricted projects that they didn't allow us to achieve the full potential of our programs</p> <p>*The grant spells out exactly that, it doesn't allow you to do any other things... If we identify (other) issues..., with those very closed project, we don't address those issues that we identify as we implement this program</p> <p>*The difference is we made a decision on how we were going to use their resource or not and that was our decision.</p> <p>*A contract is a different type of relationship...you have to be willing to pretty much take whatever direction that they are going to give you</p>	<p>*The global organization - International Headquarters (IH) – has a central coordinating function and they are getting money from us and 16 other national organizations and coordinating through budgeting, and cash management and internal control processes, where the money goes and what it's going to be spent on, unless it has been designated by the donor to be spent in a certain way.</p> <p>*we have such a diverse set of funding because we have 16 other offices like ALPHA</p>	<p>*USAID is the worst as far as the independent audits and what we are having to do to comply with them...</p> <p>*This whole time and effort in reporting, if we don't get that in place, we could lose millions of dollars –and so the time and effort we are spending to put in place and the time and effort reporting is for just for one donor – and so it's we either do it or we can't take that money</p> <p>*So the reporting has gotten much more rigorous</p> <p>*But a \$10,000 donation to a CO might not have as significant type reporting</p> <p>*therefore we report on how we spend that fund</p>	<p>*Most of their rules and regulations is how we spend that funding.</p> <p>*Now the USAID has a standard book of indicators, you have to have certain indicators that align with those indicators</p> <p>*we do what are called A133 audits ... an audit of the financial statements...more importantly it is an audit of compliance with government rules and regulations and an audit of the internal controls to promote compliance</p> <p>*But the largest constraints are often over some of the financial reporting and the booking side of it, they want to see very detailed records of how the money was spent</p>

Picturing each of these labels or *free nodes* as a “basket,” I placed only those indicators that resonated with the definition of that label into the baskets. A free node is simply a ‘stand-alone’ container or basket that is not linked to other nodes or labels (QSR 2008). I initially generated 40 free nodes; however, not all of the nodes were related to the subject of INGO autonomy. This is also one area where selective coding became instrumental in deciding which of the nodes to include to support the central “story.” This decision was also guided by how many of the nodes were theoretically saturated.

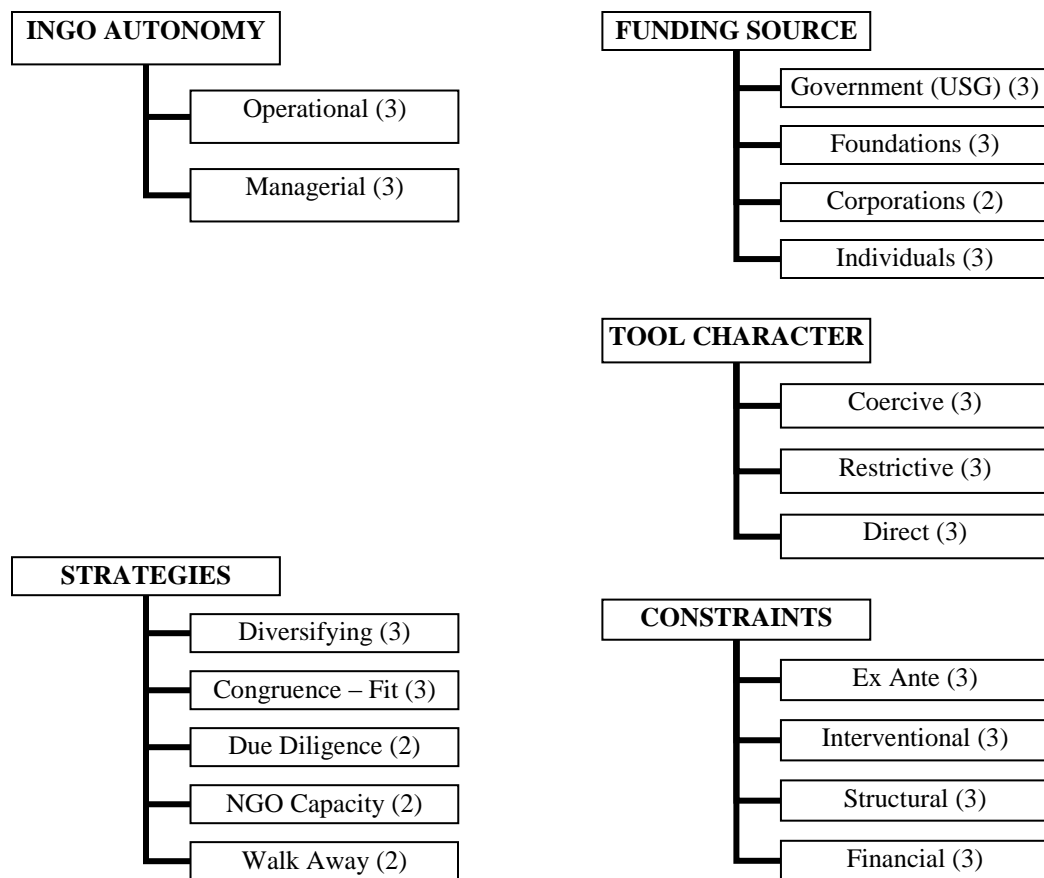


Figure 4: Tree Nodes: Parent Nodes with their Child Nodes, by Case

Using axial coding and the constant-comparison techniques, I was able to reduce 29 of the 40 free nodes generated to 5 *tree nodes* – leaving 11 free nodes that are not used

for purposes of this research. Trees nodes are labels organized in a hierarchical structure, moving from a parent node (general label) to more specific nodes (child nodes) (Bazeley 2007; QSR 2008a; 2008b). Each child node therefore has its own indicators, i.e., those generated during the open coding phase. Once I began to ask questions about how these nodes or common themes of patterns could be related, it was then that I was able to reduce 29 of the free nodes to the 5 tree nodes shown in Figure 4 above.

Therefore Figure 4 shows the 5 tree nodes used to respond to the research questions addressed in this research. Note that each of the child nodes represents a “basket,” and each of the baskets contains various indicators or phrases coded from the interview data. Each of the indicators is regarded as evidence to support the label. The process of placing indicators in appropriate baskets was also facilitated by the constant comparison of the phrases or indicators.

The numbers shown in the parentheses illustrates the number of INGOs that contributed to the discussion of each of these concepts. For example, participants from all three cases contributed to the discussion around their experiences with coercive tools. And information on INGOs’ experience with corporate funding could only be found in interviews from two of the cases (SIGMA and BETA). With regard to strategies for managing the risk of autonomy loss, BETA and ALPHA contributed a lot to this discussion, with SIGMA contributing to the discussion surrounding the subject of revenue diversification and congruence and fit of funded programs. This information therefore gives us a rough idea of where information supporting these concepts or themes originated from.

4.3 Description of Data

Unlike quantitative research, qualitative research does not rely on correlation matrices, regression coefficients and significant tests to showcase the correlation between variables and the strength of the findings. Instead, this research relies on techniques such as counts; and matrices to show points of consensus among participants within the same organization, as well as across cases. Various descriptive data displays are therefore employed to populate the evidence emerging from the data.

An advantage of NVIVO 8 is that, it keeps a record of the number of sources used to code for each concept, as well as a count of the indicators used to populate that node. As shown in Table 8 below, the numbers under the *source* column reflect the number of interviews from which indicators pertaining to the subsequent concepts or nodes were coded from. The numbers under the *reference* column show a count of each indicator, phrase or word coded for each of the concepts indicated in the first column. However, care should also be taken when interpreting these numbers since a single interview (*source*) can have multiple *references*, while others may only have referenced the concept a few times.

To help bring more light to the richness of the data, Table 8 also breaks down these counts by case. Note that these numbers are based only on the interview data and not the documents review. This is primarily due to NVIVO's sensitivity when uploading particular files. Due files size or formats, I was unable to upload some documents into NVIVO for coding. These documents were therefore reviewed manually.

Table 8: Key Nodes by Count and by INGO

Dependent Variables	<i>Source</i>	<i>References</i>	<i>Count</i>	<i>ALPHA</i>	<i>BETA</i>	<i>SIGMA</i>
<u>INGO AUTONOMY</u>						
Operational	18	91		9 (43)	7 (42)	2 (6)
Managerial	15	38		6 (18)	7 (14)	2 (6)
Intervening Variables	<i>Source</i>	<i>References</i>	<i>Count</i>	<i>ALPHA</i>	<i>BETA</i>	<i>SIGMA</i>
<u>RESOURCE DEPENDENCE</u>						
<u>CONSTRAINTS</u>						
<i>Discretion</i>						
Ex Ante	15	37		7 (14)	6 (21)	2 (2)
Ex Post (Interventional)	17	80		7 (32)	8 (32)	2 (16)
<i>Resource Importance</i>						
Financial	17	42		8 (12)	7 (19)	2 (11)
<i>Other</i>						
Structural	3	7		3 (7)	0	0
<i>Resource Alternatives</i> (Included under <i>restrictive tools</i>)						
Independent Variables	<i>Source</i>	<i>References</i>	<i>Count</i>	<i>ALPHA</i>	<i>BETA</i>	<i>SIGMA</i>
<u>FUNDING SOURCES</u>						
Government			226	127	57	42
USG			296	137	112	47
Foundations			103	90	41	20
Corporations			89	30	48	11
Individual Contributions			30	89	8	0
	<i>Source</i>	<i>References</i>	<i>Count</i>	<i>ALPHA</i>	<i>BETA</i>	<i>SIGMA</i>
<u>TOOL CHARACTERISTICS</u>						
Coercive	13	32		5 (15)	6 (14)	2 (3)
Restrictive	10	25		2 (2)	6 (13)	2 (10)
Direct	9	20		4 (10)	3 (8)	2 (2)
Strategies	<i>Source</i>	<i>References</i>	<i>Count</i>	<i>ALPHA</i>	<i>BETA</i>	<i>SIGMA</i>
Diversification	13	30		6 (11)	5 (13)	2 (6)
Congruence – Fit	15	41		8 (25)	5 (10)	2 (6)
Due Diligence	8	17		3 (5)	4 (10)	1 (2)
NGO Capacity	10	23		5 (9)	4 (11)	1 (3)
Walk Away	9	25		4 (11)	5 (14)	0
<u>OTHER</u>						
INGO Professionalism	18	79		8 (34)	8 (38)	2 (7)
INGO Donor Influence	9	29		4 (13)	5 (16)	0

This variable model above (Table 8) shows the variables that emerged from an analysis of the interview data. The funding sources row shows word counts grouped by INGO. For example, across all 19 interviews, the word *government* was mentioned 226 times. Participants in ALPHA mentioned the word 127 times, compared to BETA's 57 times and SIGMA's 42 times. The word *USG* on the other hand, was mentioned 296 times, with ALPHA mentioning the words 137 times. The word *foundation(s)* was mentioned 151 times, while the *corporate funding, corporation or corporations* were mentioned a combined 89 times. Only ALPHA spoke of individual contributions in terms of *sponsorships* and participants mentioned this word 89 times. The word individual and contributions were mentioned 41 and 30 times, respectively. Other words of interests include *rules* (69), *regulations* (59), *requirements* (50), and *reporting* (64 times).

Table 8 also shows some of the key strategies that emerged from the data. 13 participants (6 from ALPHA; 5 from BETA and 2 from SIGMA) identified revenue diversification as an autonomy retention strategy. And 15 participants out of the 19 interviewed, made reference to the need for INGOs to ensure that the goals embedded in funding announcements were congruent with their own. From the 15 participants, 8 were from ALPHA, 5 from BETA and 2 from SIGMA. Another interesting theme emerging from the interview data analysis is that of INGO professionalism; 18 out of the 19 participants interviewed for this research felt that USG funding had helped improve the professionalism of INGOs, especially with respect to establishing systems that encourage self-evaluation. This theme was coded 79 times.

It is also important to note that the numbers shown in the *INGO Autonomy*, *Constraints*, and *Tool Characteristics* rows represent the number of interviews from

which these concepts were coded. For example, data from 17 out of the 19 participants' interviews contained indicators suggesting the existence of interventional constraints. Of the 17 interviews, 32 indicators were coded from 7 interviews from ALPHA. Another 32 indicators were coded from all of BETA's 8 participants' interviews and the remaining 16 indicators were generated from SIGMA's two interviews. These numbers therefore suggest that the topic of ex post controls was a hot subject among participants from all three INGOs.

There is also evidence to support the existence of operational or policy autonomy concept from 18 of the 19 participants interviewed. Of the 91 indicators used to code for this concept, 43 came from all 9 of ALPHA's participants, 42 indicators from 7 participants from BETA and only 6 indicators from SIGMA's two interviews. This too suggests that the data from all three INGOs contained strong evidence supporting the existence of the concept of operational autonomy. In addition, 17 out of the 19 participants also gave indication of the importance of an INGO's financial autonomy.

In addition to ex post controls, Table 8 also suggests that a keen discussion took place around the idea of the ex ante controls utilized by funding sources. This discussion provided strong evidence to suggest that such ex ante, (mid-course) and ex post constraints do steer and control INGOs' decisions as will be shown in the findings. 15 out of 19 participants pointed to the existence of ex ante constraints associated with the INGOs' funding sources – that is, 7 participants from ALPHA, 6 participants from BETA and the two participants from SIGMA.

These numbers provide strong evidence to suggest that the presence of ex ante controls create tightly controlled environments within which INGOs' decision making

occurs. For instance, as a way of ensuring that USAID policy interests are met, INGOs are required to adopt USAID indicators in their evaluation plans. However, this does not mean that INGOs cannot include indicators of their own. And according to Section 226.21 (a) of the Code of Federal Rules, INGO recipients are required to “relate financial data (including budget plans) to performance whenever practical,” for evaluation purposes. Linking ex ante promises to ex post evaluation and reporting requirements may stand to ensure and verify that INGOs do what they promised by holding INGOs accountable to ex ante promises.

In contrast to the conceptual model shown in Figure 2 (in Chapter 3), the variable model in Table 8 shows evidence to suggest a strong consistency between the two models, with some exceptions. This consistency is strong across all other factors with the exception of resource dependence’s resource alternatives factors. However, evidence supporting the existence of regulations restricting access to alternative funding sources was coded under the tool choices’ restrictive label.

A second area of inconsistency is seen in the disappearance of a number of the organizational autonomy dimensions. The employment of the constant-comparison techniques in the close examination of the indicators groups under each of these concepts revealed tautological issues associated with trying to operationalize Verhoest, Peters et al.’s (2004) dual conceptualization of autonomy. To correct for this, and based on the emergent themes, this research moved to regard the authors’ second formulation of autonomy (as the presence of constraints), in terms of intervening variables that lead to a depreciation in an organization’s autonomy. This is discussed in detail in Section 4.4.3.

Description of Key Topics, by Case

Table 9 summarizes the distribution of topics discussed by case. Some details are not shown in order to preserve the confidentiality of the INGOs.

Table 9: Summary Description of the Cases and Participants

	ALPHA	BETA	SIGMA
<i>Founded</i>	<i>1930s</i>	<i>1940s</i>	<i>1980s</i>
<i>Scope of Work</i>	Children-Focused development programs, including relief efforts	Women and Children-focused development programs, including relief efforts	Generalist-focused development programs, including relief efforts
<i>Total Revenue & Support (FY2006)</i>	\$38 million	\$656 million	\$29 million
<i>Major Funding Sources (FY2006)</i>	Private Support, including Individual Contributions (91%); USG (9%)	USG Funding (41%); Other Governments and International Organizations (36%)	USG Funding (94%); Private Support (6%)
<i>Major USG Funding Tool Used</i>	Grants (100%)	Grants (69%); Donated Food & Freight (31%)	Contracts (48%); Grants (29%); Donated Food & Freight (23%)
<i># of Staff Interviewed (including their Positions)</i>	9 <i>Positions:</i> Executive Director; Chief Financial Officer; Dir. of International Programs; Director of Grants and Contracts Compliance; Dir. of Institutional Funding; Foundations Expert; Program Director; Chairman of the Board; Treasurer of the Board	8 <i>Positions:</i> Acting Chief Financial Officer; Dir. of Competitive Bids; Dir. of Humanitarian Assistance; Deputy Dir. of External Relations; VP of Global Support; Dir. of Food Programs; Internal Auditor; Secretary of the Board	2 <i>Positions:</i> Chief Executive Officer (also the Chairman of the Board); Program Coordinator (also the Treasurer of the Board)
<i># of Participants who talked about Contracts</i>	8 (Excludes the Board Treasurer)	7 (Excludes Acting CFO)	2
<i># of Participants who talked about Grants</i>	9	8	2
<i># of Participants who talked about Cooperative Agreements</i>	4 (CEO; Dir. of Grants and Contracts Compliance; Dir. of Institutional Funding & the Program Dir.)	3 (Dir. of Competitive Bids; VP of Global Support & Dir. of Humanitarian Assistance)	1 (CEO)
<i># of Participants who talked about Individual Contributions</i>	8 (Excludes the Dir. of Grants and Contracts Compliance)	2 (External Relations & Dir. of Competitive Bids)	0
<i># of Participants who talked about Unrestricted Funding</i>	3 (CEO; Program Director & VP of International Programs)	3 (Acting CFO; External Relations & Dir. of Competitive Bids)	1 (CEO)

As noted above, all the cases are directly replicable since they were selected from the same subfield of INGOs engaged in relief and development. The cases also exhibit variations in their dependence on government funding. In order to display the nature of the data used in this study, Table 9 also shows the numbers of participants who talked about grants, contracts, cooperative agreements and unrestricted funding. Detailed financial information for each of the INGOs is provided in Chapter 5. This section details the data variance between the three cases, including variance in the topics discussed by participants within these three cases. This section outlines this data with respect to the context under which these topics were discussed.

4.3.1 Discussion on the Nature of Funding Tools

Compared to grants and cooperative agreements, all 18 participants who discussed contracts (all participants from BETA and from ALPHA), agreed that contracts are very specific in terms of what is expected of INGOs, thus establishing INGOs as contractors of the USG. With the exception of SIGMA's CEO, all other participants expressed a preference for grants and cooperative agreements compared to contracts. Overall, data from all 18 participants indicated that dealing with contracts would require a specialized machine – that is, strong capacity to take on the high compliance expectations associated with contracts.

Speaking on the coercive nature of contracts, compared to grants, and whether the funding tools employed by the USG to finance INGOs' activities influence INGOs' decision making and activities; BETA's VP of Global Support had this to say,

It matters very much; I mean, a cooperative agreement is much easier to work through, contracts are the difficult ones because, contracts are almost

business documents and everything is set out very clearly and we have very little leeway in terms of how we can influence that. I mean, the steps are there, you just have to follow them 1, 2 and 3; while a cooperative agreement is much looser, and we have a chance to influence it and modify it a bit if needed. Grants and cooperative agreements are very similar. And BETA prefers cooperative agreements or grants. Unfortunately the USG is going much more towards contracts and it is much harder for us because it doesn't give us the leeway that would prefer to have.

This view was commonly shared among all participants, again, with the exception of SIGMA's CEO who found contracts easier to deal with as a result of their specificity. In his view, the specificity of outputs, tasks and outcomes actually simplifies what is expected of SIGMA. In other words, the specificity of contracts actually frees the INGO to do only that which is specified in the contract, that way, "there would be no surprises."

An interesting subject emerging from the literature is one of the degree to which USG-funded INGOs can exercise their autonomy in some way given that USG funding has largely been considered as a more exacting funding source. In light of the foreign policy climate surrounding USG funding, participants from ALPHA and BETA pointed out that their INGOs are strategic in the way they make choices about which Requests for Agreements (RFAs), that is, the grants and cooperative agreements that they choose to respond to. This suggests that different grant requests impose different restrictions and limitations on INGOs such that their ability to choose between different RFAs provides INGOs with some latitude to make strategic choices in the kinds of relationships they want to enter into with the USG. The idea is that INGOs are at least autonomous in making that choice. This also suggests that all grants restrict INGOs in some unique way. As a result, the choice of RFA to respond to becomes one of weighing the benefits and costs based on inherent restrictions and requirements.

In light of this, participants from both ALPHA and BETA emphasized the need for INGOs to carefully scrutinize the contents of contracts and grants announcements and awards, a process others referred to as due diligence. For example, according to its Treasurer, ALPHA makes,

choices in terms of what grants to go after and so if there is a USG grant or grant from a multi-lateral donor, that's going to put some kind of restrictions on our activities then we choose not to participate.

ALPHA's Director of Grants and Contracts Compliance also pointed out the following;

Our key focus is "compliance,"... so if a request for application (RFA) comes out, we read it through and pull out all the requirements because there is compliance when you submit a proposal too... Our unit is involved is throughout the whole life of a project from the decision on whether to bid on something or not. We may look at something and say, look there are inordinate amount of requirements on this for a small amount of money, and we just don't think that the cost-benefit ratio is worth it.

And according to BETA's Director of Humanitarian Assistance,

BETA is very deliberate in analyzing where we will work in country. So at times we don't work where donors would like us to be operating.

Illustrating the process of sifting through grant solicitation, the following statement from BETA's Direct of Competitive Bids outlines how grant solicitations are selected;

We distribute it the COs... then we will ask them to let us know their go-no-go decision... we have a whole set of tools about what types of factors they look at. They look at their capacity and alignment with their own country operating strategy, they look at the competition, and they look at what it would take them to do it, in terms of partners and resources and the feasibility of implementing it.

So if they are and usually if they are issues with the bid, I mean policy issues, then those get uncovered pretty early in the process. For example, recently there was an RFA that came out in Afghanistan, it was called IDEAS. It was for some alternative development... a poppy substitution and it required that you would work very closely with the Provincial Reconstruction Team (PRTs) – kind of the USG military Provincial Reconstruction Teams in Afghanistan and you would have to work very closely with those. BETA determined that while we wanted to... work with the farmers on improving their income and their livelihood; we did not want to work closely with the US military. So after about a week of going back and forth, and we asked questions, really because it wasn't clearly how closely you were going to have to work with them – so we submitted questions to USAID and then they answered and we decided no, we couldn't go for it.

The same sentiments were also articulated by BETA's Humanitarian Assistance Director; however, he goes further to state that,

a grant that is somehow amended to also meet some of the donor requirements... does affect how we implement it on the ground because we need to comply with the grant regulations.... but that being said, it doesn't necessarily mean that we are influenced or driven by that grant.

This view helps explain ALPHA's Board Chair's perception that the USG is not necessarily "restrictive" but is "demanding" as shown in the rival hypotheses section below. Her statement, in light of the above views, suggests that by responding to particular grants and not others, INGOs in essence demonstrate their willingness to and acceptance of compliance requirements inherent in funding tools and associated with USG funding. However, because of the inherent compliance requirements, USG funding is seen to be demanding since INGOs are still held accountable for what is expected of them, according to those agreements. In other words, complying with USG regulations and various other expectations is demanding, hence why both ALPHA and BETA have established formal Grants and Contracts Compliance Units "just to keep up with

government regulations” (Director of Grants and Compliance, ALPHA, also highlighted by BETA’s Internal Auditor)

As a result, there was a great deal of discussion in the interview data about the differences between contracts, grants and cooperative agreements and the implications of that on INGOs’ decision making and implementation. This discussion was mostly associated with a common emergent theme of the presence of various ex ante regulations attached to different funding tools that INGOs have to comply with in exchange of receiving USG funding. This also suggests that by signing a grant agreement and hence signaling one’s acceptance of the terms therein, an INGO in some ways automatically foregoes some measure of its autonomy. As ALPHA’s Grant and Compliance Director and Program Director, and BETA’s Director of Competitive Bids all pointed out, grants are essentially “conditional gifts.”

A great deal of discussion also took place around financial and non-financial ex ante and ex post controls. Participants talked about the degree to which funders scrutinized INGOs’ budgets, and spending, as well as how INGOs are required to comply with different procurement rules. A highly discussed ex post requirement attached to the USG funding is the A133 audit. The A133 Audit of State, Local Governments, and Nonprofit Organizations requires nonprofit spending more than half a million dollars of federal funds annually to have this audit. According the OMB circular, the A133 audit closely tracks and classifies revenue received from the federal government, by looking for compliance with general and specific government audit requirements covering financial and non-financial factors such as program effectiveness, efficient use of

resources, and the allocation and spendability of federal resources. External auditors also test for the adequacy of INGOs' internal control systems.

While participants from all three INGOs described the A133 Audit as being rather tedious and quite demanding since it requires INGOs to be more careful in how they allocate and spend federal funds through rule compliance; participants also indicated that the audit also encourages INGOs to become more professional in their recording keeping and information tracking. In other words, the audit requirement and other ex post monitoring and evaluation requirements may have compelled these INGOs to develop advanced internal financial controls, efficient procurement practices, as well as establish formal evaluation practices.

4.3.2 Discussion on INGO's Capacity to Influence Funding Agencies

In spite of the nature of funding tools and restrictions associated with funding sources, participants also talked about the different ways their INGOs exert influence on the contents and terms of funding agreements. The interview data provides information to suggest that INGOs have room to negotiate, during the grant application phase, what the final grant agreements would look like. BETA's Director of Food Programs highlights this point in the following statement,

What essentially happens is you assess the need, design your program and then you prepare your proposal and if approved, you implement it... With Title II Programs... like any grantee, you can try and push the envelope a bit, but at some point, you can't go over the line. So I wouldn't call it necessarily autonomy as much as flexibility and I think we have had a fair amount of flexibility as programs have been evolving.

First, participants pointed out that their INGOs respond to RFAs by articulating the activities to be implemented (through the implementation plans they design in consultation with the funding announcement guidelines), the outputs or results of those activities, and the cost function associated with the activities (budget plan). It appears therefore that INGOs can influence USG programs by putting their “signature” on program activities. In a sense, INGOs exercise their autonomy during this stage since the specifics of the program (unless stipulated by the USG, as with contracts and other unsolicited funding), originate with the INGOs. All 19 participants agreed that the USG Technical Cognizant Officers (TCOs) would then review and evaluate the INGOs’ programmatic proposals and would either suggest amendments or decline the proposals altogether. In order for proposals to be accepted, they would need to include the USG’s program objectives and goals.

A review of the data also suggests a second opportunity for INGOs to exercise their autonomy and this comes once the INGOs have received the Letter of Award from the funding agency. Consistent with views from BETA’s Director of Competitive Bids, ALPHA’s Director of Funding highlights this observation in the following statement;

Once you get to the letter of award, you then begin the negotiation process with the government agency as to what the final agreement would look like. And once you get to an agreement, you sign the agreement and you start implementing the project.

In addition, INGOs can also suggest changes to the implementation plans during the implementation phase; however, this can cause delays for the INGO since any deviations from the agreed-upon agreements require USG review and approval,

suggesting a type of ex ante or mid-course constraint. These views were common shared among all the participants with USG experience.

The data also highlights the recognition that INGOs operate in specific funding environments that are laden with unique politics and cultures, as well as, the limitations and controls inherent therein. Also emergent from this data is that, it is equally important to recognize that INGOs also operate in a broader humanitarian environment that has its own culture and generates its own language of best practices. As a result, such an environment also stands to strengthen INGOs' bargaining power and ability to push back when funder attempt to co-opt them. In other words, the humanitarian assistance and development community has devised its own culture of doing things and best practices which funding agencies may have to respect. This view was shared by 4 participants from ALPHA and 5 participants from BETA.

The above suggests avenues INGOs can take to militate against complete autonomy loss. Other avenues open to INGO influence are explicated in the following statement by BETA's Deputy Director of External Relations,

Corporate philanthropy is changing, whereas in the past, corporations would kind of sit down as a foundation and say \$200,000 to BETA, \$100,000 to the United Way. That type of philanthropy from an international development perspective is different were BETA just doesn't want the \$200,000. They want to sit down with the corporation and help influence their policies, especially corporations that are international and corporations that have presence in the countries we work with. We want to sit down with them and talk about, you know, Child-labor practices, we want to talk about how they can be very socially responsible and they are also approaching BETA and saying, can you help us develop a better sustainability program for our organization

4.3.3 Discussion on Unrestricted Funding

Across all the 7 participants who talked about unrestricted funding (3 from BETA, 3 from ALPHA and 1 from SIGMA), the conversation illuminated on how this type of funding source affords INGOs with the ultimate level of autonomy. One participant described unrestricted funding as,

flexible funding..., (that is), the blood that causes this whole organization to function. (BETA's Deputy Director of External Relations)

And according to ALPHA's Program Director, unrestricted funding is what allows INGOs to accomplish,

what is near and dear to their hearts.

The only limitation associated with unrestricted funds is how costly it is to acquire as noted in a statement by BETA's Competitive Bids Director.

Unrestricted (funding) being the kind of funding that is not project-tied.... is very expensive to get – it is more expensive to get unrestricted than restricted, you have to invest more dollars to get one dollar back.

4.4 Interpretation of the Data

Qualitative researchers draw a distinction between data analysis and interpretation. Where data analysis involves immersion into one's data, organizing and data coding to generate themes or pattern identification; an interpretation of the data involves a process of finding meaning from the data or of the relationships between the nodes or concepts (Weiss 1994; Rossman and Rallis 2003). While it is important to understand the patterns and concepts inherent in the data, it is equally important to understand the linkages between them, as such relationship nodes were instrumental in

that they gave me “containers” to record evidence of the connections between two or more concepts in the data (Bazeley 2007). And in order to derive meaning from the interview and documentation data, this research also relied on the research questions, theoretical frameworks and the subsequent hypotheses as guides or contexts to help explain the findings.

“*Pattern matching*” through explanation building helps one to establish the link between the data collected and the derived hypotheses (Campbell 1969). This aids one in connecting the research questions to the emergent conclusions. Pattern matching entails a comparison of the findings (patterns) from each case against the hypotheses derived from the theory (Yin 2003; Yin 2009). By using NVIVO, one is able to achieve this through the creation of relationship nodes in which the data collected, is linked to the derived hypotheses. The link is essentially achieved by storing evidence supporting the hypotheses articulated by the relationship nodes (shown in Table 10 below).

One advantage of using NVIVO is that, it allows the researcher to generate *relationship nodes*, which are nodes or labels that define a symmetrical, one way or associative link between two parent or child nodes (e.g., *government funding* and *constraints*). Together with the triangulation techniques, it is at this phase that hypothesis testing for this research took place. To code for relationships between the tree nodes, including the child nodes, I looked for indicators from within the individual baskets (shown in Figure 4) for evidence to support the hypotheses in this research. In other words, evidence supporting these hypotheses is coded at the relationship nodes (Bazeley 2007) and this evidence is pooled mainly from the interview data.

For example, in order to test the hypothesis, **“High dependence on government funding as the primary source of revenue and support is likely to result in less INGO autonomy,”** I first created a relationship node or basket for this hypothesis with respect to each of the emergent autonomy dimensions. As a result, I ended up with sub-hypotheses where government funding influenced managerial and operational autonomy in particular directions or where USG funding influenced INGOs’ operational autonomy through ex post constraints. I labeled one such relationship node *Government Funding is associated with high Interventional Constraints*. Table 10 below shows additional hypotheses tested in this research. As a result, all evidence supporting this hypothesis was packaged within this node. Some of the indicators supporting this hypothesis include statements like,

The results-based framework that the USG has and the various regulations that they have can be arduous. (VP of International Programs, ALPHA)

The bad thing about the Department of State is that they are very centralized.... they rely very heavily on the reporting and the indicators because they don’t have any field presence and they are only going to go out once a year to check on your project and that one time a year, they are going to try and figure out, did you do what you said you were going to do. (Director of Competitive Bids, BETA)

The A133 Audit which is conducted every year – this looks only at those projects that meet a certain threshold in terms of funding and checks for contractual compliance (with USG regulations). The process is very rigorous and tends to be very specific in that at times evidence of reports submitted, as well as, the reception of that report is required by these external auditors. (Program Director, ALPHA)

Well, the compliance issues, they have become more onerous as time goes on; they require more every year, it’s getting to be you spend more time complying with things than you do actually doing things sometimes. USDA compliance has increased. (Program Coordinator, SIGMA)

And then they will do a direct costing where they will pick out 3 or 4 of our projects and really scrutinize them in a detailed manner, they go out to

the field and look at detailed expense reports and individual vouchers and things like that... (Director of Institutional Funding, ALPHA)

To facilitate the methodological triangulation process, this research relied on a review of documents such as the Code of Federal Regulations (CFR 22), the USAID's Automated Directives System, Acquisition and Assistance Chapter 303 (ADS 303) and BETA's grant, contract and cooperative agreement, including the mandatory standard provisions attached to them. As a result, anytime indicators in the relationship nodes converged with or were supported by indicators from any one of these documents, a hypothesis was assumed to have been supported. In the case of the sub-hypothesis pertaining to influence of interventional constraints, supporting data came from a review of the ADS Chapter 591 document on the financial audits requirements for USG funding recipients, as well as Sections 226.50 – 226.52 of the Code of Federal Regulations.

The above illustrates that this analysis paid close attention to the strategies and tactics employed by each funding source in order to understand the mechanisms through which autonomy is undermined. By so doing, I was able to understand the conditions under which autonomy is undermined. For instance, in the context of managerial autonomy with respect to financial management, ex ante requirements can impinge upon an NGO's managerial autonomy, as well as operational autonomy. Commenting on an INGO's ability to make budgetary changes between different line items, one participant pointed out that,

If you have a valid reason, particularly and again if you go to them before hand and say, things have changed since the proposal was developed, we want to move some of this money to another activity and you have a good reason, they will allow it and you can do that. They don't like it when you do that on your own and afterwards you say, we have made these changes.

This also gives us an indication of how budgetary approvals act as ex ante constraints on an INGO's decision making. In this case, an INGO would need to seek a priori approval by providing justifications for budgetary shifts before any changes can be made. This is confirmed in Section 226.25 of the Code of Federal Regulations, as well as the funding tools obtained from BETA. Such approval requirements could result in major delays on implementation thus reducing the timeliness of a response. Indicators such as these provided this research with key information that helped clarify how INGO autonomy could leak as a result of such ex ante and mid-course budgetary requirements.

Therefore Table 10 (below) shows examples of hypotheses or relationships nodes generated from this research. The table also shows the number of participants from which statements were coded as evidence supporting these relationships or hypotheses nodes. These counts are also shown by INGO. Again, *source* refers to the number of interviews the evidence was coded from, while *references* shows a count of each indicator, phrase or word coded for each relationship node. As such the numbers listed under the heading sources and references suggests that data from 9 participants interviewed indicated that coercive tools diminish their INGO's operational autonomy. Evidence in support of this was coded 22 times from 3 participants from ALPHA, 2 participants from SIGMA and 4 participants from BETA. All these participants were qualified to talk about this relationship given their experience with government funding.

Also shown in Table 10 is that, 16 out of 19 participants in this study associated government funding with high ex post controls. Evidence to support this relationship was coded at least 77 times from all 8 participants from BETA, 6 participants from ALPHA and both participants from SIGMA. Also shown is that 13 participants talked about the

degree to which restrictive tools diminish INGOs operational autonomy at 33 different occasions. There was also strong evidence (a total of 17 participants) to suggest that government funding weakened INGOs' operational autonomy – that is, the extent to which INGOs can make independent decisions about processes, procedures, policy instruments, target groups and outcomes.

Table 10: Relationship Nodes and Hypotheses Testing

Type	Sources	References	# of Participants from ALPHA	# of Participants from BETA	# of Participants from SIGMA	Documents Reviewed
RESOURCE DEPENDENCE						
Government Funding diminishes Operational Autonomy	17	44	8	7	2	Contract; Cooperative Agreement (CA); CFR 22; ADS 303
Government Funding diminishes Managerial Autonomy	13	27	6	5	2	Contract; CA; CFR 22; ADS 303
CONSTRAINTS ON INGOs' ACTUAL DECISION MAKING COMPETENCIES						
Government Funding is associated with High Ex Ante Controls	16	77	6	8	2	Contract; Grant; Agreement (CA); CFR 22; ADS 303; ADS 591
Government Funding is associated with high Ex Post Controls (Interventional)	16	59	7	7	2	Contract; Grant; Agreements; CFR 22; ADS 303; 591
TOOL CHOICE						
Coercive Tools diminish Operational Autonomy	9	22	3	4	2	Contract; Grant; CA; CFR 22; ADS 302 & 303
Restrictive Tools diminish Operational Autonomy	13	33	5	6	2	Contract; Grant; CA; CFR 22; ADS 302 & 303
Direct Tools diminish INGO's Operational autonomy	9	20	4	3	2	Contract; Grant; CA; CFR 22; ADS 302 & 303
OTHER FUNDING SOURCES						
Foundation Funding is associated with High Ex Ante Controls	2	9	1	1	0	
Foundation (large) Funding diminishes Operational Autonomy	3	8	2	1	0	
Corporations constrain NGO Autonomy through Ex Ante Controls	2	4	6	8	2	
Individual Contributions enhance Operational Autonomy	7	12	6	1	0	

Bear in mind however that this distribution includes only the majority of the data coded up until theoretical saturation was achieved. Grounded theory suggests that one ceases to code for a particular concept once one reaches a point of theoretical saturation where additional coding would not yield anything new about the concept (Strauss and Corbin 1998). It is therefore probable that continued coding could have yielded more references or evidence to in support of these hypotheses. Note also that the last column in Table 10 shows the documents containing evidence to confirm these findings.

4.4.1 Memos, Annotations and Queries

Also instrumental in elucidating some of the nuances associated with the analysis, and the link between the data collected and the hypotheses derived from the theoretical frameworks were, the “memos” and “annotations” I kept during open and axial coding stages. Memos are records of one’s thoughts and observations generated during the analysis, while annotations are texts that are linked to selected interview content similar to scribbles on the margins of a text (QSR 2008a; 2008b). Yet another key advantage of using NVIVO is that it allows one to keep such memos, and annotations by linking each one to specific interviews, in the case of memos and to specific sentences or words, in the case of annotations. As a result, the memos and annotations represent some of my judgments about the data.

I found it easier to use annotations to record my thoughts and observations since I could do this for each sentence or phrase I found insightful in explaining the relationship between funding and INGO autonomy from the interview data and documents (though done manually). Both procedures were instrumental in providing me with space to record

my reflections on the data, as well as space to clarify some of the nuances associated with the analysis. The following example is an annotation highlighting my reflection of a statement made by BETA's Director of Humanitarian Assistance;

Director of Humanitarian Assistance: A grant that is somehow amended to also meet some of the donor requirements.... therefore it does affect how we implement it on the ground because we need to comply with the grant regulations... It may be the case that certain objectives may have been amended to reflect some specific requirement that made sense for us to implement anyway.

Annotation: → *In a sense this does support the hypothesis that the tools matter, for different tools are managed differently. As with a grant, it is amended (through some form of negotiation whose power dynamics lean heavily on the donor/funder side I presume) before it is accepted and implemented. So there is a clear compromise and that there is definite variation based on each tool as to how much is compromised.....tools also seem to influence INGO operations/implementation in situ.... What process does negotiation take? How long does it take to get things amended; how does that influence operational autonomy?*

Such annotations helped me trace my initial observations and impressions for all key phrases and insights encountered during the line-by-line analysis of open coding.

To further help with the data interpretation, I also took advantage of another one of NVIVO's useful features of queries. This process allowed me to ask questions about my data across all nodes, all interviews and even across selected cases, in order to investigate and confirm patterns, as well as track and test some ideas (QSR 2008).

For example, in trying to confirm the relationship between funding tools and INGO autonomy, I conducted a text search for the word "contracts." NVIVO highlighted every time the word "contracts" was used. By so doing, I was able to understand under what contexts and conditions the term was used and what was uttered pertaining to contracts. I was also able to identify when comparisons were made between contracts and

other tools. The query function also allowed me to restrict my text search to the context of autonomy. Doing this also helped me construct the tables and continuums showing the relationships between the funding tools and the autonomy dimensions (also see Appendix 4). I conducted similar searches for grants and cooperative agreements and for each of the funding sources to confirm these relationships, as well as identify alternative explanations.

Apart from showing how a researcher conducted his or her analysis, another challenge associated with qualitative research is how to present the findings from that analysis. I chose to illustrate the findings in the form of impact continuums, in order to illustrate the degree to which government funding for instance, impacts autonomy, relative to other funding sources. In a sense, the continuums are designed to emphasize the direction of the relationship between funding and autonomy. The position or placement of the funding source (or tool) suggests the magnitude of the impact of that funding source (or tool), relative to other funding sources (or tools), with respect to a given autonomy dimension.

As shown in Appendix 4, it is important to emphasize that the decision to place a particular funding source or tool on a certain point on the continuum, relative to others, was also informed by various statements derived from the data. As such, I relied on the indicators within the nodes to guide and inform the construction of the impact continuums. For example, I found phrases the following phrases or indicators instrumental in placing different funding sources on the impact continuums;

So when we work with the Lorner Downen* Foundation (*pseudonym), or when we work with any of our large foundations, it's our health expert talking to their health expert about the programs. And so compare that to a corporation where with a corporation you might be working with a head of

a foundation, but the corporation doesn't understand our work as much – there is this huge educational background, just really educating them about the work that we do. (Deputy Director of External Relations, BETA)

USAID is the worst as far as the independent audits and what we are having to do to comply with them, but they are also are single largest donor so we don't have any choice. (Acting CFO, BETA)

Oh, no, foundations are the highest (referring to compliance demands); I would say the government is the highest, then foundations, then corporations, and then private individuals. (Deputy Director of External Relations, BETA)

4.4.2 Rival Hypotheses

In order to verify the findings, thus strengthening their interpretation, this research also searched for rival theories that could be used to explain the findings. For instance, the study explored why ALPHA' Board Chair did not consider USG funding to be “restrictive” per se, but “demanding.” In her words, she thought government funding was “demanding” as opposed to “restrictive” since,

You are not doing anything you didn't say you are going to do in your grant relationship. It does require the operational arm or part of the organization to do things that it had or has not done before taking USAID money. But I don't call that restrictive; that's just the expectations and the demands of that funding source.

By further exploring this and other negative hypotheses, and also using the constant comparison model, I was able to establish strong evidence grounded in the data (Miles and Huberman 1994; Rossman and Rallis 2003) to support the degree to which USG funding compared to other funding sources can be considered as demanding *and* restrictive. In effect, packed in her statement is evidence to indicate the existence of both ex ante and ex post requirements that INGOs have to comply with. The rival hypotheses

identified in this research however, served to facilitate a deeper understanding of the relationship between funding and autonomy by allowing an exploration of the different insights and nuances surrounding this relationship.

In addition, further clarification of hypotheses was conducted during the data collection and follow up process. For instance, in trying to understand the relationship between funding tools and autonomy, this study explicitly and repeatedly asked participants to expound on their experience with different funding tools in subsequent interviews. Additional questions were emailed to Government Grants and Contracts staff for further clarification. This analysis found strong corroboration across participants in all three INGOs to suggest that different funding tools do confine INGOs' decision making in varying degrees.

4.4.3 Tautological Challenges Emanating from the Data Analysis Process

As shown in the first chapter, Verhoest, Peters et al. (2004) draw a distinction between autonomy as the level of decision making capacity an organization actually possesses, and “autonomy as constraints on the actual use of the decision making competencies” – that is, “referring to the structural, financial, legal and interventional constraints on an agency's decision making competencies” (Verschuere 2007). While the original design was to treat resource dependence's discretion measures such as rules to regulate resource ownership, allocation and use, as types of autonomy. The constant-comparison technique employed in this analysis unearthed serious tautological issues emanating from conceptualizing autonomy as constraints that impede organization's actual use of decision making competencies. Such a characterization made it very

difficult to separate the variables that influence organizational autonomy from the autonomy variables themselves.

For example, with respect to Verhoest, Peters et al. (2004) characterization of interventional autonomy as the extent to which an organization is free from ex post monitoring and reporting requirements; a review of the interview data documents revealed that participants discussed such ex post factors in terms of conditions or mechanisms through which their ability to make autonomous decisions is weakened, and not as a type of autonomy in and of itself. This strongly suggested that constraints on organizational autonomy, whether channeled through structural or legal means, need to be regarded strictly as factors that contribute to an organization's loss of autonomy.

To counter this problem, this research shifted Verhoest, Peters et al.'s (2004) second conceptualization of autonomy as financial, structural, legal and interventional constraints from the dependent to the independent side of this research's conceptual model (shown in Figure 5 below), thus framing these as concepts describing the mechanisms through which autonomy is undermined. As a result, and consistent with the need to regard the concept of autonomy as a latent variable, this research treats the financial, structural, legal and interventional constraints as intervening variables since in essence, they describe mechanisms by which organizations decisions and activities are constrained and controlled.

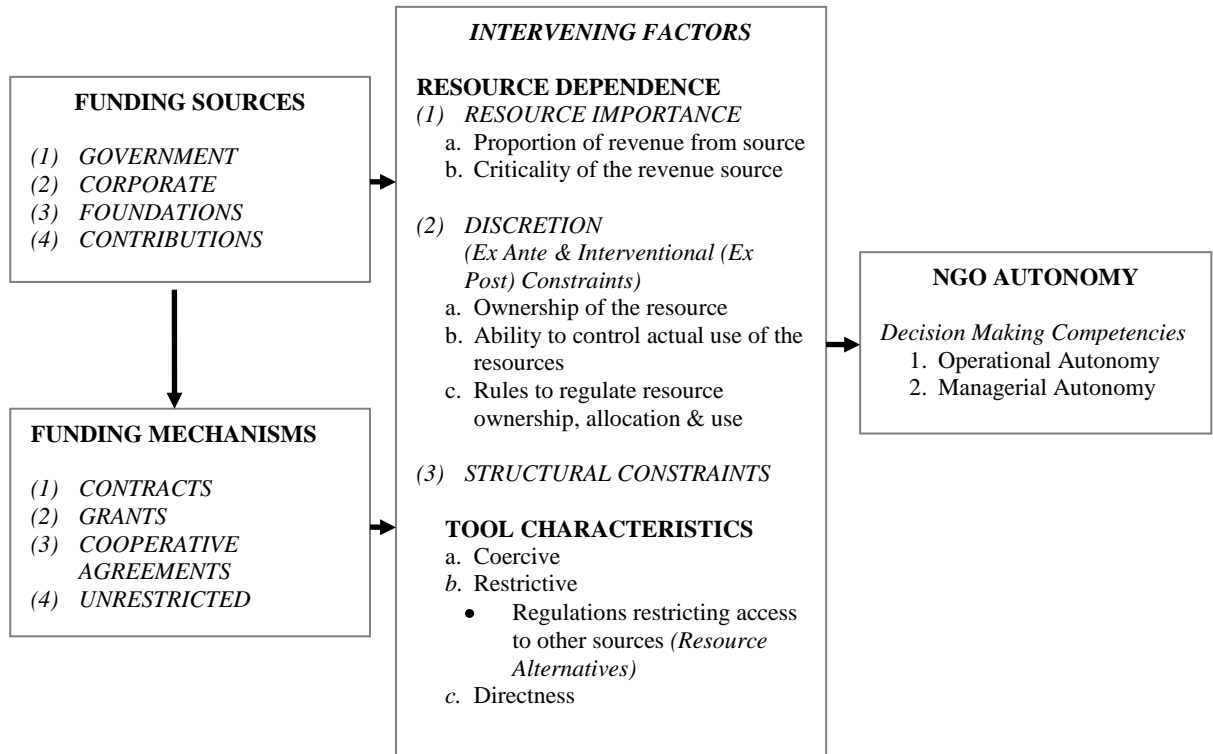


Figure 5: Comprehensive Variable Model

Therefore, Figure 5 represents the concepts where the conceptual model and the variable model (Table 8) align. This model suggests that autonomy needs to be strictly regarded as the condition of possessing actual decision making competencies or capacity to make independent operational and managerial decisions. Such a conceptualization may help prevent the tautological challenges of having constraints on both sides of a causal relationship, a problem this study encountered. In this way, one is able to identify and separate the sources of control from an organization's actual decision making competencies.

In summary, this research recommends a reframing of Verhoest, Peters et al.'s (2004) conceptualization of organizational autonomy as a pre-emptive move against costly tautological challenges. Structural, legal, financial and interventional constraints

that undermine an organization's decision making competencies (autonomy) therefore, need to be regarded as types of intervening variables or mechanisms through which an organization's ability to make independent decisions is undermined. As such, from a quasi-experiment sense, constraints would be viewed as a type of treatment.

4.5 Validity and Reliability Issues

To conclude this chapter, the following section outlines the techniques used to test the confirmability of the findings in this research. A general challenge with qualitative interviews is that they have limited ability to guarantee reliable measures. Like any research design, employing the case study approach requires that one not only explicitly address concerns about consistency or reliability, but also about internal and external validity. Several quality control techniques were used to improve the quality of the design, the data and the findings.

4.5.1 Consistency

First, the logic of theoretical replication technique noted in this research, was instrumental in setting up the research design in such a way that it would allow for case comparison and hence facilitating theory testing across the different cases (Yin 2003; Yin 2009). And to increase the reliability or consistency of the data collection methods, this research employed an interview guide in order to focus and direct the conversations on the influence of funding on INGO autonomy. By so doing, participants across all three INGOs were asked the same questions. And since the literature has treated the concept of organizational autonomy in an ambiguous, one-dimensional fashion, this research was

able to adapt the Verhoest, Peters, et al.'s (2004) measures and the Leuven Institute's measures of organizational autonomy in an effort to understand the concept within context of a nonprofit sector environment.

While this approach helped improve the construct validity and reliability of the measures utilized in this study, the approach was not without its challenges as seen with the tautological concerns encountered. Arising from these challenges however, was an opportunity to advance alternative ways of conceptualizing autonomy. As a result of having autonomy constraints on both sides of the causal model, this research was thus able to evaluate the compatibility of Verhoest, Peters et al.'s (2004) characterization of autonomy when used in conjunction with other theoretical frameworks like resource dependence and tool choice.

Therefore, the findings from this research suggest that the present characterization of autonomy as both decision making competencies and constraints, creates model specification problems. And if we are to understand the nuances of organizational autonomy, it may be pre-emptive to be very clear about separating the concept of organizational autonomy as the possession of actual decision making competencies, from the mechanisms that constrain those decision making competencies; thus establishing the premise that one leads to the other.

And apart from relying on source and method triangulation techniques, I also maintained a coding trail with recordings of the decision rules made during the coding and data analysis process, in an effort to enhance the replicability of this study.

4.5.2 Internal Validity

According to Miles and Huberman (1994), internal validity is a question about the “truth value,” that is, “whether we have an authentic portrait of what we were looking at,” and whether the findings are credible to the people studied. Various techniques can be used to check for the internal consistency of the findings and these include the methods of triangulation, rival hypotheses check and member checking (Miles and Huberman 1994; Yin 2003; Yin 2009).

First, this research’s reliance on multiple sources of evidence permitted triangulation by method. As such, finding convergence among the interview data and several documents collected from the INGOs, as well as the USAID and USG websites, helped improve the internal validity of the findings. In addition, the pattern-matching technique, through explanation building was also instrumental in establishing links between the data and the hypotheses by searching for patterns or common themes within and across cases (Campbell 1969; Yin 2003).

The literature also suggests that researchers identify and address rival hypotheses in an effort to verify the credibility of the findings (Miles and Huberman 1994; Yin 2003; Yin 2009). As pointed out above, the rival hypotheses identified in this research, served to facilitate a deeper understanding of the relationship between funding and autonomy by allowing an exploration of the different insights and nuances surrounding this relationship.

A final technique used to verify the internal validity of the study, thus establishing the credibility of the findings, involved sharing the findings with at least one participant from each of the cases. Findings from the within-case and cross-case analyses, the

strategies and the conclusions, were emailed to participants for their review. Follow up conversations took place via email and telephone once participants had completed their reviews. At least one participant from BETA and ALPHA was able to ascertain the plausibility and accuracy of the findings.

4.5.3 External Validity

In quantitative research, external validity refers to the generalizability of the findings to the population under study. In Yin's (2003; 2009) view, the external validity of qualitative research can be achieved in terms of making analytical generalizations of the findings to broader hypotheses or propositions. In this case, the findings in this research can be generalized to the broader government funding-INGO autonomy discourse or the hypotheses tested in this research.

With regards to making generalizations about the population of INGOs however, given that these cases represent single INGOs, care need to be taken in making generalizations about the findings to the INGO population. That being said, the logic of literal replication employed in this study ensured that the three cases were pulled from the same organizational environment, that is, direct relief and development INGOs. This logic can also provide us with a strong basis for making generalizations about the population of direct relief and development INGOs, but only those INGOs that are receiving USG funding since not all INGOs depend on the USG as a funding source.

CHAPTER 5

WITHIN-CASE FINDINGS: A RESOURCE DEPENDENCE PERSPECTIVE

5.1 Introduction

This chapter compares the within-case findings to the resource dependence hypotheses presented in Chapter 3 to illustrate the nature of the relationship between government funding and INGO autonomy across different dimensions. The findings for each of the cases are preceded by a description of the financial profile of the INGO. As indicated in Chapter 3, the three INGOs in this study vary in their dependence on USG funding. The profiles also show revenue pictures that vary across different government funding tools. Below is a brief description of some of the USAID implementing or funding tools used to transfer money to the three INGOs, and how each one operates.

P.L. 480 Donated Food: The Public Law (480) food aid was signed into law by President Eisenhower, under the Agricultural Trade Development and Assistance Act of 1954. This is also known as Food for Peace supporting programs generally designed to combat hunger and malnutrition, as well as promote sustainable development. P.L. 480 comprises three sections; Title I consists of government-to-government sales of agricultural commodities; this is administered by the U.S. Department of Agriculture. Title II (or Monetization) and III are administered by USAID. While the former consists of food donations by the USG to meet humanitarian food needs in foreign countries, the latter meets government-to-government grants in support of long-term economic development in developing countries.

USAID Freight: This is a program that provides competitive grants for INGOs registered with the USAID to ship humanitarian assistance-related goods overseas. INGOs are reimbursed for costs associated with the transportation of donated commodities.

P.L. 480 Freight: This refers to the funding associated with the transportation element of the food aid under USAID contracts.

USAID Grants: These are defined as legal instruments used “where the principal purpose is the transfer of money, property, services or anything of value to the recipient in order to accomplish a public purpose of support or stimulation authorized by Federal statute and where substantial involvement by USAID is not anticipated” (USAID Glossary). Unlike cooperative agreements, grants recipients have substantial freedom to pursue their stated programs (USAID 2005).

USAID Contracts: These are defined as “mutually binding legal instrument(s) in which the principal purpose is the acquisition, by purchase, lease, or barter, of property or services for the direct benefit or use of the Federal government, or in the case of a host country contract, the host government agency is a principal, signatory party to the instrument” (USAID Glossary). Contracts are used for funding “activities or programs over which the USAID intends to exercise a substantial amount of operational control,” that is, “day-to-day oversight of the implementation of the program and exercise technical direction” (USAID 2005).

Other USG Grants and Contracts: These are similar to USAID grants and contracts except these are administered by other USG agencies other than the USAID (e.g., Department of Agriculture).

5.2 CASE #1: ALPHA RELIEF AGENCY (ALPHA)

Established in 1937 with the mission to help support children and their families in the area of health and education, in developing countries in Africa, Asia, and Central and South America, ALPHA is part of a federation of national member organizations. Apart from providing technical assistance in operating country offices (COs), ALPHA's main function involves assisting COs with fundraising.

While the organization receives less 10 percent of its funding from the US government (USG), more than 80 percent of its total revenue comes from contributions through child and family sponsorships. As shown in Table 12 below, ALPHA received 95 percent of its total revenue from private contributions and revenue in FY2005; and 91 percent in FY2006. In an explicit effort to diversity its revenue sources, ALPHA is just beginning to invest in foundation and corporate funding solicitations.

As indicated above, USG government funding also varies by funding tool. In the case of ALPHA, its share of USG funding comprises, grants from the USAID and other USG agencies such as the Department of Agriculture (USDA), and the Department of State. Table 11 below, shows that ALPHA has a strong preference for USG grants compared to contracts; all of its USG support is channeled through grants. In other words, in light of ALPHA's experience with managing USG grants, such experiences could be viewed as an indication of the extent to which the organization utilizes an existing administrative structure for managing grants. Therefore, they may have to create a new apparatus for contract management. This may explain their strong preference for and ease with grants rather than contracts. Bear in mind however that the USAID financial data does not separate USG grants from cooperative agreements; as a result, one is not

able to discern how much of ALPHA's funding is channeled through cooperative agreements, which involve significant government participation.

Table 11: ALPHA'S Revenue Sources (FY1997 - 2006)

	TYPES OF FUNDING	FY1997	FY2002	FY2004	FY2005	FY2006
USG Support	USAID Freight	\$0	\$0	\$0	\$0	\$0
	P.L. 480 Freight	\$0	\$0	\$0	\$0	\$0
	P.L. 480 Donated Food	\$0	\$0	\$0	\$0	\$0
	USAID Grants	\$1,304,674	\$2,190,322	\$3,448,518	\$1,946,174	\$3,274,838
	USAID Contracts	\$0	\$0	\$0	\$0	\$0
	Other USG Grants	\$0	\$0	\$183,792	\$0	\$0
	Other USG Contracts	\$0	\$0	\$0	\$0	\$0
	Total USG Support	\$1,304,674	\$2,190,322	\$3,632,310	\$1,946,174	\$3,274,838
	By Mechanism, combined					
	USG Grants	100%	100%	100%	100%	100%
	USG Contracts	0%	0%	0%	0%	0%
	P.L. 480 Donated Food	0%	0%	0%	0%	0%
Other Gov't Support	Other Gov't. & International Organizations	\$172,302	\$0	\$0	\$0	\$0
Private Support	In-Kind Contributions	\$0	\$560,806	\$0	\$0	\$0
	Private Contributions	\$28,554,842	\$40,256,360	\$29,940,231	\$34,818,032	\$33,462,713
	Private Revenue	\$1,297,052	\$0	\$879,997	\$1,193,853	\$1,597,880
	Total Private Support	\$31,328,870	\$40,817,166	\$30,820,228	\$36,011,885	\$35,060,593
	TOTAL SUPPORT & REVENUE	\$32,805,846	\$43,007,488	\$34,452,538	\$37,958,059	\$38,335,431
	% USG Support	4%	5%	11%	5%	9%
	% Other Gov't Support	1%	0%	0%	0%	0%
	% Private Support	95%	95%	89%	95%	91%

Staff Interviewed:

I interviewed nine participants from ALPHA, and these included the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), Director of International Programs, Director of Grants and Contracts Compliance; a Foundations liaison, Program Director; and the Director of Institutional Funding. And from the Board of Directors, I interviewed the Chairman and Treasurer of the Board of Directors. Six out of the nine

interviews were conducted in person in their Washington DC office, the rest were conducted over the telephone.

5.3 FINDINGS

5.3.1 Resource Importance

Hypothesis 1: High dependence on government funding as the primary source of revenue and support is likely to result in less INGO autonomy

Since USG funding constitutes less than 10 percent of ALPHA's total revenue support, the findings suggest that the INGO retains most of its autonomy with respect to financial autonomy. This is because the participants do not regard USG funding to be of critical importance to the organization. For instance, while participants recognized USG as a credible funding source (especially, the CEO and the Director of Institutional Funding), the CFO, Director of International Programs, Board Chair, Program Director and Treasurer of the Board, all emphasized the importance and dependence of ALPHA on sponsorship, more so than USG funding. As a result, should the organization fail to receive any government support; only 10 percent of the organization's programs would be negatively affected – assuming that no replacement funding is found. The inverse of this is that 90 percent of the programs that are funding through individual contributions would remain operational. This organization therefore can survive without government funding. As ALPHA's Treasurer pointed out,

Unlike some INGOs, we have a steady stream of revenue from sponsorship dollars; we are not wholly dependent upon USAID in what policy may change over four years.

This suggests that the INGO is not as vulnerable to shifts in USG foreign policy priorities. However, there is also recognition of the efficacy of government funding, in terms of improving an INGO's capacity to increase its programs. The following statement illuminates this.

Government funding is growing. As an organization...for a long time, sponsorship was the bread and butter full stop. Government funding - we really didn't need it... we want(ed) it under the conditions that it met certain criteria we had, (that) we were in the driving seat. We decided that if the government did not want to do it our way, we won't take it. More and more we have opened up to government funding in the sense that we realized that there are potentials of reaching more children in country if we take government funding. So we are taking government funding to supplement our funding within the context of the program design elaborated by the country. (Program Director)

In spite of this new outlook toward government funding, ALPHA still maintains a guarded approach to dependence on USG funding. The statement below illuminates some of this anxiety, thus strongly suggesting that there may be some truth to the hypothesis that a high dependence on government funding yields lower levels of autonomy to an INGO. Illuminating this pervasive anxiety toward a high dependence on USG funding, especially with regard to financial autonomy is a statement from ALPHA's CFO.

The only limitation that they (Board of Directors) put is... at least, under our current rules – they don't want to see institutional funding (USG funding) be more than half of our total funding, without them talking about it. They still want us to be known as a sponsorship organization where we have a lot of funding still (coming) from individual families and people in the U.S. who are supporting our cause. They feel that they don't want to become too dependent on the federal government because some organizations do that and then you have a turn in the economy or the administration changes, and they reduce the funding of the USAID and all of a sudden you find yourself in a position where your revenues are going down.

This guarded view seems to stem from the fact that in spite of the 10 percent share of USG support, ALPHA as an organization is not entirely shielded from the spillover influence of USG funding. The interview and documentation data indicate that the organization still faces influence and control through the USG mid-course and ex post reporting requirements to the extent that they have set up a formal Grants and Contracts Compliance Unit as a buffer to solely deal and manage the constraints and compliance demands associated with USG funding. For example 7 out of the 9 participants from ALPHA associated USG funding with high interventional controls, while 6 participants associated it with high ex ante controls and influence.

In addition, the USAID's ADS 303 and 591, as well as the CFR 22 – all emphasize the requirements for INGOs' ex post accountability. While the interventional (and ex ante) controls apply to the funded programs; it appears that USG funding has helped reshape ALPHA's organizational structure by compelling the INGO to set up a department in response to ex ante and ex post demands and expectations. Compared to individual contributions therefore, government funding restrictions and requirements remain more arduous even for an organization that receives less than 10 percent of its funding from the USG.

In terms of the influence of USG funding on ALPHA's operational autonomy, the preceding discussion suggests that government funding weakens the INGO's operational autonomy relatively more than individual contributions. In this case, USG funding undermines ALPHA's operational autonomy more; however, this only applies to the INGO's capacity to make decisions concerning those programs supported by the 10 percent share of USG grants and cooperative agreements.

ALPHA's Vice President for International Programs paints the autonomy picture very well in the following statement, as he commented on the efficacy of resource diversity and autonomy loss in the face of high dependence on government funding in general.

You would be very aware that if 70 or more percent of that came from a particular government (or the USG), that you had a potential risk on your hands, because if that government were to fall out with the government of the country in which you are working, you could lose all your funding and indeed the other side of it, you are more prone to have difficulties in being independent in your particular views and direction.

This comment suggests that government funding lowers any INGO's autonomy with respect to operational autonomy by influencing the particular views and directions an INGO takes. As shown in Table 10, 8 out of 9 participants from ALPHA gave indication to suggest that the USG as a funding source, imposes limitations on the INGO's operational autonomy. These limitations come about through a number of strategies ranging from program ownership, where an INGO can and cannot operate with USG funding, and through centralized resource ownership and control. The following statements illustrate some of the mechanisms.

A long time ago USAID stopped implementing its own projects, so the INGOs stepped in... we really are implementing USAID projects, whether people like to admit it or not, there are USAID projects. (Director of Grants and Contracts Compliance)

...like Myanmar for instance... we can't use USG money (CEO)

You have to wait for them (USG) to give you the funding availability, they give you a grant for \$18 million, but they don't authorize all that money upfront, so you don't have access to it upfront. They have incremental funding—so there is a lot of technical things that some people prefer not to pay attention to... (CFO)

And according to Section 226.25 (b) of the Code of Federal Regulations, INGO “recipients are required to report deviations from budget and program plans, and request prior approval for budget and program plan revisions.” The requirement for prior consent suggests that INGOs cannot make budget or program decisions independent of USG funding agencies. Sub-section 1 of that code calls for INGOs to seek consent for any changes in the scope or program objective or any deviations to the program as a whole, even if there are no budget revisions associated with the changes. “Prior approval” suggests the presence of ex ante rules and requirement and it is defined as “written approval by an authorized (USG funding agency) official evidencing prior consent.”

ALPHA’s operational autonomy is also limited through the USAID’s substantial involvement in the administration and implementation of programs funded through cooperative agreements, as will be shown in Chapter 6. Again, this is with respect to those programs that are funded through the 10 percent share of USG funding, thus demarcating the sphere of USG funding influence on ALPHA’s overall programming and managerial decisions.

Hypothesis 2: High dependence on any one dominant funding source is likely to result in limited INGO autonomy

Similar to the above, a high dependence on any one funding sources would be expected to yield less autonomy to an INGO. This is not the case with ALPHA due to the nature of its funding source. In the past 4 years, over 90 percent of the organization’s revenues came from individual contributions and private revenues, of which, for FY2006, almost 85 percent of that is unrestricted. The absence of restrictions on these funds render

the organization highly autonomous in contrast to the 10 percent share of USG funding which is laden with all sorts of restrictions, rules and regulations. The following statements reflect the general level of autonomy that the share of individual contributions yields.

We are happy that we have the flexibility that the sponsorship funding provides. (Board Chair)

Unrestricted funding provides INGOs with the resources they need to accomplish what is near and dear to their hearts, (that is), to fully fulfill their missions and visions by implementing those objectives that are important to the INGO. (Program Director)

While there is cognizance of the dangers of being heavily dependent on individual contributions, especially in light of the current economic crisis, the efficacy of this funding source in affording ALPHA its operational and managerial remains clear in the Program Director's mind;

We are going to limit the influence of outside funding, outside funding besides sponsorship, so that the focus, the program decisions remain within the control of ALPHA which is supported by sponsorship because it is unrestricted (nature), we can use it as we, quote and quote, see fit, as long as we keep the sponsor in the loop of what we are doing.

Therefore, while unrestricted dollars yield high levels of operational and managerial autonomy, it does however come with some ex post requirements, that is, ALPHA is expected to account for how it spends this money by "keeping the sponsor in the loop" of what ALPHA is doing. And while this view was also corroborated by ALPHA's CEO, Treasurer of the Board, Program Director and VP of International Programs; there was also agreement that the ex post demands attached to individual contributions are not nearly as onerous as those associated with USG funding.

5.3.2 Resource Alternatives

Hypothesis 3: INGOs maximize their autonomy or minimize their external dependence and control through revenue diversification.

The analysis of the interview data and a review of ALPHA's strategic plan reveal evidence to suggest strong recognition and support for revenue diversification. As shown in Table 8 (in Chapter 4), 6 out of the 9 staff members (the VP of International Programs, CFO, CEO; Director of Institutional Funding, Program Director, and Treasurer of the Board) specifically addressed the issue of revenue diversification as a financial risk reduction strategy. The main objective for this strategy is to improve the INGO's financial stability by relying on more than one funding source. And this is in spite of the organization's high share of unrestricted funding coming through individual contributions. As ALPHA's CFO observed;

We've had some involvement with corporations but again, it is still limited probably to 5 percent of our total revenue per year. But there is certainly a heavy reliance upon private support from individual donors and sponsors. And although we are trying to grow that, it is still that group of people, as opposed to institutions of some kind – you know government, or corporations or foundations – all those people who are providing the primary support to ALPHA. And without a diversification of that into some areas... we may become too dependent on individuals – when you get into an economy like we are in now. So we have for FY2008, which we are just getting audited now, I would say probably 65 percent of our total revenue is coming from individuals.

While recognizing the high level of autonomy unrestricted funds yield to ALPHA, the Board Chair also illuminates the INGO's need to diversify its revenue streams.

We are happy that we have the flexibility that the sponsorship funding provides, we want management to raise more money from corporation, not (just) sponsorship... We want management to be raising more money from more sources; just general diversification.

The above demonstrates ALPHA's views towards the effectiveness of revenue diversification as a strategy for reducing the INGO's dependence on sponsorships. Clearly, this is a strategy that is inherent in the INGO's long-range planning.

Hypothesis 4: Compared to other funding sources, government is more likely to minimize INGO autonomy by restricting access to alternative resources.

This research finds that apart from self-censoring by INGOs, the USG imposes what could be described as "harmless" policy level restrictions on INGOs' access to alternative resources. This research considers these harmless since the alternative resources may not be of great significance to the organization. Examples of such restrictions provided by at least 5 participants from ALPHA include The Fly America Act, which restricts INGOs' access to perhaps cheaper non-U.S. carriers when traveling on program related business.

Another explicit government restriction on INGOs' access to alternative resources is the prohibition of transactions with terrorist groups, under the Executive Order on Terrorism Financing of February 2002. According to the Special Contract Requirements issued by USG funding agencies and the Mandatory Standard Provisions for U.S. Non-Governmental Recipients (attached to the grant, cooperative agreement and contract reviewed in this research) INGO recipients are "prohibited from transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism." However, a potential danger with this particular rule is that due to limitations imposed by information asymmetry and bounded rationality on the part of INGOs, it may

be difficult for them to ensure complete compliance with this rule given the difficulties of distinguishing terrorist-funded organization from those that are not.

The findings show that ALPHA, similar to BETA, imposes self-censoring measure codified in corporate engagement guidelines as a strategy for discerning which corporate funders to solicit or accept funding from. For instance, given ALPHA's focus on children, the organization will not accept funding from corporate funders that have a reputation for practicing child labor. Other basic restrictions preclude accepting money for programs that lie outside the organization's expertise.

To summarize, the findings shown above suggest that within ALPHA, government has substantial influence and control, but only over those activities funded by the 10 percent share of USG funding. As a result, USG influence and control may not necessarily extend beyond the USG-funded program.

There is also indication to suggest that even though ALPHA is the smallest recipient of USG funding in this research, the INGO may face transaction costs that could have larger than anticipated spillover effects on the organization as a whole. This primarily stems from what participants have described as "arduous" USG accountability demands. For example, the USG audit and reporting requirements have compelled the INGO to establish a formal Grants and Contracts Compliance Unit just to cope with USG funding compliance and ex post requirements. It could therefore be argued that USG funding has reshaped ALPHA's organizational structure by compelling the INGO to add more units – potentially resulting in an increased bureaucratization of the INGO.

Second, recipients of USG funding are required to demonstrate strong financial structures and that is before they can receive USG funding. In this regard, it could also be

argued that USG funding indirectly influences the organization as a whole given that the funding decisions USG make are made not only on the basis of an INGO's prior experience with USG funding, but on an evaluation of the INGO as a whole.

According to the USAID's ADS Chapter 303: Grants and Cooperative Agreements to Non-governmental organizations document, while an organization's past performance on previous awards can be used as an indicator of the INGO's capacity to handle grants, this history does not guarantee or improve an INGO's chances of an award. Any "changes in personnel, accounting practices, or in an organization's financial status may affect its performance on a new award" (USAID 2009b). Bear in mind also that USG funding is incremental in that recipients do not receive the entire amount of the award all at once. As such, INGOs' decisions pertaining to the rest of its non-USG funded programs may influence how it is perceived by the USG funder.

The above also gives indication of the presence of positive externalities emanating from an association with USG funding. The above suggest that INGOs receiving USG funding may actually be getting increasingly professionalized given that the organizations are required to maintain good business integrity in order to continue receiving USG funding. And while the compulsory A133 Audit may be arduous, it also provides INGOs with opportunities to improve their internal controls, as well as self-evaluate. Eight out of the nine participants from ALPHA supported the above assertions. Table 8 (in Chapter 4) also shows that, all participants from BETA and from SIGMA shared this view.

5.4 CASE #2: BETA ASSISTANCE INTERNATIONAL (BETA)

BETA is an INGO whose mission encompasses the implementation of relief and development programs in over 60 countries across the globe. BETA is the largest of the three INGOs in terms of total revenue, as well as the second oldest. Similar to ALPHA, BETA is also part of a federation; and the INGO also assist country offices in fundraising for their programs. BETA provides technical assistance and expertise, specifically in the area of water and sanitation, basic education, emergency response. The organization also has a Humanitarian Assistance Team that is activated in the event of emergencies.

Table 12: BETA's Revenue Sources (FY1997 - 2006)

	TYPES OF FUNDING	FY1997	FY2002	FY2004	FY2005	FY2006
USG Support	USAID Freight	\$0	\$0	\$0	\$0	\$0
	P.L. 480 Freight	\$29,028,000	\$27,409,000	\$17,838,611	\$14,428,000	\$24,203,276
	P.L. 480 Donated Food	\$73,558,000	\$51,823,000	\$85,669,561	\$35,813,000	\$57,923,645
	USAID Grants	\$96,564,000	\$135,167,000	\$190,708,809	\$151,777,000	\$170,896,342
	USAID Contracts	\$228,000	\$147,000	\$367,385	(\$11,000)	\$490,267
	Other USG Grants	\$3,383,000	\$19,093,000	\$18,680,696	\$19,031,000	\$13,640,264
	Other USG Contracts	\$233,000	\$0	\$0	(\$11,000)	\$0
	Total USG Support	\$202,994,000	\$233,639,000	\$313,265,062	\$221,027,000	\$267,153,794
	By Mechanism, combined					
	USG Grants	49.2%	66.0%	66.8%	77.3%	69.1%
	USG Contracts	0.23%	0.06%	0.12%	-0.01%	0.18%
	P.L. 480 Donated Food & P.L. 480 Freight	50.5%	33.9%	33.0%	22.7%	30.7%
Other Gov't Support	Other Gov't. & International Organizations	\$88,616,000	\$105,854,000	\$155,174,378	\$204,815,000	\$235,558,000
Private Support	In-Kind Contributions	\$7,760,000	\$7,683,000	\$1,074,000	\$2,846,000	\$4,263,000
	Private Contributions	\$52,486,000	\$73,650,000	\$97,637,560	\$188,818,000	\$139,651,759
	Private Revenue	\$7,517,000	\$6,952,000	\$30,547,000	\$6,850,000	\$8,855,000
	Total Private Support	\$67,763,000	\$88,285,000	\$129,258,560	\$198,514,000	\$152,769,759
	TOTAL SUPPORT & REVENUE	\$359,373,000	\$427,778,000	\$597,698,000	\$624,356,000	\$655,481,553
	% USG Support	56%	55%	52%	35%	41%
	% Other Gov't Support	25%	25%	26%	33%	36%
	% Private Support	19%	21%	22%	32%	23%

Table 12 above shows that BETA's largest share of revenue comes from the USG, and it comes largely through USAID Grants and other USG Grants (e.g., Department of State and the Department of Agriculture). In total, USG funding consisted of 55 percent (in FY2002); 52 percent (in FY2004); dropped to 35 percent in (FY2005) and went up to 41 percent (in FY2006). The table also shows that similar to ALPHA, the distribution of BETA's USG funding across funding tools suggests a strong preference for grants and cooperative agreements over contracts, with an average of almost 70 percent of its share of USG funding channeled through grants and cooperative agreements, compared to 0.09 percent channeled through contracts.

Staff Interviewed:

As noted above, 8 participants were interviewed from BETA. These include the Director for Competitive Bids (a USG funding specialty staff member), Director of Humanitarian Assistance; the Acting Chief Financial Officer (CFO), an Internal Auditor, the Deputy Director of External Relations (a corporate, foundations and individual funding specialty staff member), the Vice President (VP) of Global Support, the Director of Food Programs, and the Secretary of the Board. 6 out of the 8 interviews were conducted through face-to-face interviews.

Note that 7 out of the 8 participants interviewed from BETA had experience dealing with USG funding in some capacity. These include the Directors of Competitive Bids, Humanitarian Assistance, and Food Programs; the VP of Global Support, Acting CFO and the Secretary of the Board. As a result, these participants were able to speak on a number of issues surrounding USG funding.

5.5 FINDINGS

5.5.1 Resource Importance

Hypothesis 1: High dependence on government funding as the primary source of revenue and support is likely to result in less INGO autonomy

The findings suggest that USG funding undermines BETA's autonomy with respect to operational and managerial autonomy. As shown in Table 10, all 7 participants from BETA experienced with USG funding agreed that it limits the INGO's operational autonomy. As with ALPHA, additional evidence to corroborate this is found in Section 226.25 (b) of the CFR, which highlights that INGO "recipients are required to report deviations from budget and program plans, and request prior approval for budget and program plan revisions." This suggests that for BETA's 50 percent of the programs that are funded through the USG, decisions pertaining to these have to be made in consultation with and the approval of the USG funding agencies. And according to its Secretary of the Board, BETA's share of USG funding suggests that the organization's financial budget (size) and programs would be reduced by almost half should the INGO decide to walk away from USG funding. Commenting on the criticality and importance of USG funding to BETA, she confessed that a loss of USG funding,

would certainly cut our revenue in about half right now. And so instead of being a \$600 million plus organization; we would be a \$300 million dollar plus organization.

This suggests that BETA is not financial autonomous as a result of this high dependence on the USG to provide almost 50 percent of the INGO's total revenue and support. Such dependence also threatens BETA's operational autonomy through

differences in policy objectives. The following statement from the VP of Global Support elucidates this threat – a view also shared by the Internal Auditor.

The USG has started putting in some of their solicitations that if we win the bid, we have to be promoting the US foreign policy overseas and we will not go after those type of contracts because we don't want to be seen as an arm with the USG – so our independence and our impartiality are key to all that; we don't want to accept any money that jeopardizes our impartiality and our independence.

And as long as differences in policy objectives and ideology exist between the USG and INGOs, owing to the power of the purse, BETA's operational autonomy, i.e., the INGO's ability to make independent decisions about programs, program theories, how to implement them, target groups and outcomes, remains under threat as illustrated in the following statement from the Secretary of the Board.

We have some different point of views particularly in the best ways to prevent HIV/AIDS. And so it is important for us to have other funding sources and that the USG not have a dominant role in our funding, so that we can also do things that perhaps may be the administration doesn't favor but we would be allowed to do with other funding sources.

Speaking on the same concern, the Director of Humanitarian Assistance added that,

donors, in particular, governments have specific policy interests that they want to pursue and we need to be conscious about those.

Portraying the types of compromises INGOs like BETA are having to confront, thus further weakening the INGO's operational autonomy, the Director elaborates,

It's hard to some extent, at times we respond to solicitations that will contribute to some extent to our strategic objectives in a country but not completely.

There is also evidence to suggest that the USG influences and controls BETA's decision making through interventional controls. Similar to ALPHA, the decisions the INGO makes today can be controlled through accountability requirements that take place mid-course and post-program implementation. The relationship nodes (shown in Table 10 in Chapter 4) show that 7 out of 8 participants from the INGO expressed their discomfort with the high ex post monitoring and reporting requirements associated with USG funding. Such ex post controls can be both financial and nonfinancial in nature (e.g., A133). Speaking on BETA's response to the high accountability demands, the following statements articulate some of the reasons behind the INGO's decision to hire more staff members and to formalize the Grants Compliance Unit.

What we have realized is that we've got to get (more) people – I think for a long time with the audits being so easy in the past, you didn't have to have very technical people in your accounting, you just needed to get it in there and get it right; but now it's got to be classified, (and) categorized. Reporting – now... is so technically complicated that we had to brush it up with the caliber of people doing it in-country and then brush it up with the caliber of people supporting that (to consolidate the INGO's financial reporting). So we are getting it in place and we are headed the right way, and hiring a Grants Compliance Unit is going to be huge, huge! Because all of the entities, private donors, government donors – they are all getting more difficult. (Acting CFO)

The setting up of a new Compliance Unit is in response to the onerous government regulations and the stricter enforcement of the regulations; I don't think the regulations necessarily have changed that much over the years, but I think the enforcement has become stricter and therefore we've been caught up. (VP of Global Support)

These statements also suggest that USG funding has impacted the organization's managerial autonomy with respect to human resources by indirectly influencing the expertise the INGO needs to hire, in order to ensure accurate reporting and compliance with USG funding. This influence is also achieved through the USG's substantial

involvement in the selection of key personnel for the implementation of a funded government cooperative agreement and contracts.

Well, usually the USG would prefer to hire someone who knows their system, at least one member of the team. And, usually that is the chief of party or the sub-grants manager... I mean it's a fairly complex bureaucracy and so they prefer someone who has been through it, who understands the ropes, rather than someone who doesn't. (Competitive Bids Director)

They don't dictate who we hire – for key personnel, particularly for a contract, they do have approval over that; they do have to agree to that, so yeah – with any big award. It is usually – chief of party or something at that level needs to get the approval of the USG. (VP of Global Support)

These statements reveal the nuances through which BETA's decision making is influenced by way of ex ante rules, requirements and approvals. For instance, in order to receive USG funding, key program staff members have to meet USG approval. Any additional changes to the key personnel also require USG approval and consent; however this only pertains to the funded program. It is through these mechanisms that BETA's operational and managerial decisions are substantially influenced and controlled, that is, to the extent that they abide by government's rules and regulations and the reporting requirements attached to funding.

While the above illustrates the mechanisms by which USG funding agencies exert influence and control on INGOs, it is important to highlight that similar to ALPHA, BETA can also exercise its operational autonomy during the proposal development stage. This influence is achieved through the designing of the programs in response to funding announcement, albeit along the stipulated confines of the funding guidelines of the award agreements, as well as other supporting documents like the ADS Chapter 303 governing Grants and Cooperative Agreements to INGOs, ADS Chapter 591, which contains

guidelines for Financial Audits of USAID Contractors, Recipients, and Host Government Entities, and the Code of Federal Regulations (CFR 22). These guidelines explain why INGOs like BETA and ALPHA have set up Compliance Units – just to be able to keep up with USG funding rules, regulations and requirements.

For instance, INGOs including BETA are required to “relate financial data to performance data and develop unit cost information.” In addition, INGO recipients shall provide “written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award” (CFR 226.21 (b) (6)). This shows that INGOs’ decisions pertaining to resource allocation and use are highly controlled.

However, as BETA’s Director of Humanitarian Assistance pointed out, INGOs do have a choice in the funding announcements they respond to, and hence the projects they engage in. And according to the VP of Global support, the more restricted the grants are, the less interested they are. Furthermore, after an INGO has received a letter of award, that opens up yet another opportunity for the INGO to negotiate the terms of a funding agreement.

And finally, according to the USAID’s ADS Chapter 591, as a condition for receiving USG funding, INGOs are expected to demonstrate organization-level “reasonable” systems of internal controls, which include “segregation of duties, handling cash, contracting procedures, and personnel and travel personnel” (USAID 2009). This suggests that USG funding can positively influence INGOs’ internal systems even before an award is received, suggesting increased levels of professionalism on the part of USG-funded INGOs.

Based on the data analysis, 18 out of 19 participants interviewed across all three INGOs indicated that an exchange relationship with the USG can result in some positive externalities in the form of improved professionalism of INGOs (shown in Table 8 in Chapter 4). Participant partially attributed this improvement to the ex post monitoring and reporting requirements associated with USG funding. Of the 18 participants, all 8 participants from BETA agreed that their interaction with USG funding has resulted in positive spillover effects on the INGO's professionalism.

Hypothesis 2: High dependence on any one dominant funding source is likely to result in limited INGO autonomy

With respect to BETA, there is no evidence to support this hypothesis. However BETA's financial profile shows a growing share of revenue support from other governments and international organizations. For example, Table 12 shows that in FY2002, other governments and international organizations provided 25 percent of BETA's revenue and support; this number increased to 26 percent in FY2004; 33 percent in FY2005 and 36 percent in FY2006. The literature suggests that compared to USG funding, Scandinavian governments for instance are viewed as being less exacting, thus granting more autonomy to INGOs. As a result, further research is needed to investigate this development in order to understand its implications on BETA's autonomy.

5.5.2 Resource Alternatives

Hypothesis 3: INGOs maximize their autonomy or minimize their external dependence and control through revenue diversification.

The findings in this analysis support this hypothesis. Table 8 (shown in Chapter 4) shows that 5 out of the 8 participants interview expressed how BETA has been trying to improve the INGO's independence from any one funding source through the strategy of revenue diversification. And highlighted in the INGO's Strategic Plan, while USG government remains the largest single donor, its decline in the last few years is indicative of the INGO's steady progress towards the goal of diversifying its funding sources.

Note that BETA's total revenues are the least concentrated of the three cases. In some ways, its diversification in terms of relying on other funding sources such as foundations, corporations, and other governments and international organizations may have resulted in improvements on BETA's operational autonomy. The Secretary of the Board and the Director of Competitive Bids highlight the benefits of BETA's aggressive revenue diversification strategy in the following statements.

(Referring to USG funding), there has been more restrictions over the years and that's another reason for trying to diversify funding... we also saw that it was important for us to diversify our funding sources and primarily when you talk about independence and making sure that the organization stays autonomous – you know.... depending on the administration; we have some different point of views, particularly in the best ways to prevent HIV/AIDS. And so it is important for us to have other funding sources and that the USG not have a dominant role in our funding, so that we can also do things that perhaps may be the administration doesn't favor but we would be allowed to do with other funding sources. (Board Secretary)

We have actually been trying to diversify away from the USG funding for probably the past 7 years and have been doing so successfully, because we felt it was too large. We didn't have a diversified portfolio and for risk management it just seemed not to be the wisest thing to do. So we have

reached out to U.S. professional foundations, like Lerner Downen and Leisten foundations and we have reached out to other sources of revenue – just private individual fundraising and we are going to look to continue to do that, to continue to expand sources of funding other than the USG. (Director of Competitive Bids)

Clearly, BETA draws a positive link between the operational autonomy necessary to fully achieve one's mission and vision and revenue diversification. As a result, revenue diversification is not only regarded as a strategy for militating against donor influence, but also a way of raising less restricted or less exacting funding in order to be operationally autonomous. This is also reflected in the following statements.

If you look at BETA's dependence on USG over the year, it is down from 70 percent to about 45 percent nowadays. So we realized that to some extent we needed to diversify our portfolio of funding; that is a fact. In order to achieve our mission and vision we needed to diversify our funding, not because the donor influenced what we did so much, but the fact that there were restricted projects that they didn't allow us to achieve the full potential of our programs. (Director of Humanitarian Assistance)

The less dictated those grants and contracts are the better – so that we can use our approaches. But certainly there has been more restrictions over the years and that's another reason for trying to diversify funding. (Board Secretary)

Although revenue diversification results in a reduced dependence on a single dominant funding source, the strategy also increases INGOs' extra-organizational influence and control by relying on multiple funding elements in the funding environment. Consequently, the accountability demands or interventional controls on BETA also increase as a result of having multiple funding sources. Instead of reporting to one funder, BETA now reports to multiple funding sources, all of which may ask different things. Overall, the findings suggest that revenue diversification is associated with high levels of operational autonomy.

Hypothesis 4: Compared to other funding sources, government is more likely to minimize INGO autonomy by restricting access to alternative resources.

Similar to ALPHA, the findings suggest that the only explicit and largely harmless government restrictions on INGOs' access to alternative funding include the travel and transportation restrictions imposed by the Fly America Act; the USG's Executive Order on Terrorism Financing; and the Eligibility Rules for Goods and Services of 1998. A review of the interview data shows that 6 out of 7 participants with experience with USG funding expressed annoyance with these ex ante rules and regulations.

According to the USG's Standard Provisions for U.S. Non-governmental Recipients, The Fly America Act restricts BETA from accessing cheaper travel and shipment alternatives for their personnel and the shipment of aid-related materials and supplies. However, this Act only applies when U.S. flagged options are available. As BETA's Internal Auditor pointed out, irrespective of cost, INGOs are required to travel in U.S. carriers if available, as well as transport aid-related goods using U.S. carriers, even if the carrier is twice the cost.

In addition, unlike corporate and foundation funding, the Eligibility Rules for Goods and Services restrict INGOs' access to cheaper goods and services (e.g., motor vehicles, equipment, materials and supplies) if they are not of U.S. origin. According to these Eligibility Rules, unless the items to be purchased are of U.S. source or origin, and the items have been incorporated into the program description, prior procurement approval is required from the USG funding source. Yet another USG funding rule is the Executive Order on Terrorism Financing which "prohibits transactions with, and the

provision of resources and support to, individuals and organizations associated with terrorism.”

The only other restrictions on access to alternative resources are those INGOs place upon themselves due to conflict of interest and ethical concerns. Similar to ALPHA, BETA’s corporate fundraising strategy is governed by its corporate funding guidelines which clearly outline a number of red flags to watch out for when seeking after corporate funds. For instance, following a major natural disaster in Asia, BETA declined unsolicited funds provided by a weapons manufacturing company on the basis of conflicts of interest.

The above demonstrates that USG funding comes with inherent restrictions attached and such restrictions create a highly controlled environment within which INGOs operate, that is, as long as they receive USG funding and want to continue to do so. However, as shown in the case of ALPHA, INGOs have the choice of responding to funding announcements in the full knowledge of these inherent restrictions. This indicates that INGOs like BETA can exercise their autonomy by strategically choosing less restrictive funding opportunities. This suggests that funding agreements vary in their level of control and influence, thus implying that INGO either resigns or retain some measure of operational and managerial autonomy just by choosing between different funding opportunities.

As the VP of Global Support, and the Directors of Competitive Bids, Food Programs and Humanitarian Assistance pointed out, BETA is still able to exercise some of its operational autonomy and managerial autonomy especially with respect to financial management during the proposal response and program design phases. Note also that,

similar to ALPHA, once BETA as won the awarded, the INGO can exercise some influence or “flexibility” during the negotiation phase, that is, by negotiating the terms of an award before the final funding agreement is signed. As the Director of Food Programs noted,

With Title II Programs... like any grantee, you can try and push the envelope a bit, but at some point, you can't go over the line. So I wouldn't call it necessarily autonomy as much as flexibility and I think we have had a fair amount of flexibility as programs have been evolving

The Director of Competitive Bids explicates the process in the following statement.

Normally what happens is, you submit your proposal, you win the award and then you go into the implementation phase, and with USAID, typically, within the first 3 months of the implementation, you have to have your detailed implementation plan – so that initial period is where you reach out, you really make sure that you have all your partners, beneficiary communities, and usually you have the initial 6 months – I think, to do your M&E framework. So then you can get everybody involved (on the grantee side), so you can have it in a very participatory process – these are the things we are going to track and that whole process. BETA pretty much acts independently during this phase and then presents everything to the donor for approval, that's what the USAID expects.

Inherent in this statement, is that, while an INGO can exercise some autonomy in devising program plans, that autonomy can essentially be ‘veto’ by the USG funding agency as it retains the right to approves or declines the INGO's operational decisions. This implies that, sometimes INGOs may get their way and at times they may not, suggesting some measure of randomness in the process. The Director of Competitive Bids expounds on this and some of the challenges that emanate from this negotiation phase in the following statement.

The USAID has a standard book of indicators, you have to have certain indicators that align with those indicators and then you are free to propose additional ones on your own. Usually the donor presses for more information and we resist because the information comes at a cost. The donor always wants you to track everything, from every possible perspective, you know – segregate by gender, segregate by age, segregate by status, this and that status. Well, all that information, you know, getting that information has a cost, so there is usually some kind of back and forth there about that process. But that's the good thing about USAID. The bad thing is, it is a very formal design process and so it's a completely different kind of relationship.

Now with the Department of State, they issue these calls, they are pretty narrowly focused – like they will say, we want you to work with refugee populations and we want you to address their needs vis-à-vis education and sometimes we look and we say well, we have already surveyed and we have done an assessment of this refugee population and their primary need is for latrine, not for education and so sometimes there is a little bit of back and forth there with the Department of State.

Perhaps an alternative way of framing the discussion presented here is that once an INGO agrees to the ex ante funding requirements inherent in a funding agreement (e.g., the adoption of the USAID's indicators and the various ex ante rules and regulations) and the agreement is signed, it becomes legally binding. The INGO therefore held accountable to the a priori ex ante expectations through mid-course and ex post mechanisms such as quarterly and annual reports, direct monitoring, field audits, and the A133 Audit. As in the case with ALPHA, BETA's funded program decisions are thus controlled by results and performance, as well as the threat of sanctions (as indicated by Section 226.60 – 226.62 of the Code of Federal Regulations), should the INGO fail to comply with funding requirements and a priori set and agreed-upon expectations.

While these statements indicate that INGOs do have opportunity to exercise their autonomy by designing the programs to be implemented, a review of Requests for Proposals and Agreements (RFAs or RFPs) show that the announcements provide INGOs

with a description of the desired program, as well as, the intended objectives of the programs. INGOs therefore make “autonomous” decisions within the parameters set by the RFAs, including the program requirements they must consider in order to be considered for the award. For example, an RFA for an Iran-based program on Civil Society and the Rule of Law outlined three program objectives INGOs had to choose from. This suggests that INGOs’ decision making could be characterized as “guided” as opposed to being entirely autonomous. Alternatively, one could argue that INGOs exercise their autonomy in program design and implementation in consultation with the USG funding agencies.

5.6 CASE #3: SIGMA RELIEF AND DEVELOPMENT (SIGMA)

Established in 1983, SIGMA is the youngest of the three INGOs. This INGO provides food, funds and medicines to impoverished communities; with the objective of improving their nutrition, health care, and education. With a small staff in the United States, SIGMA also has COs in a number of Central African countries, and in Eastern Europe. Similar to the other two INGOs, SIGMA also plays a significant fundraising role for COs. The INGOs also partners with local INGOs in developing countries to implement funded programs.

Shown in Table 13 below, SIGMA’s financial profile shows that unlike ALPHA, in the last five years at least, the INGO received over 95 percent of its funding from the USG and this share has been largely transferred through other USG grants and contracts such as, grants from the Department of Agriculture (USDA) rather than grants and contracts from the USAID. Compared to ALPHA and BETA, SIGMA has the highest

share of USG funding. For instance, 97 percent of the organization's total revenue came from the USG in FY2004 and FY2005. These figures dropped to 94 percent in FY2006, with only 6 percent coming from private support, that is, from in-kind contributions; private contributions, and private revenue. The data however fails to provide any description of what private revenue consists.

Table 13: SIGMA's Revenue Sources (FY1997 - 2006)

	TYPES OF FUNDING	FY1997	FY2002	FY2004	FY2005	FY2006
USG Support	USAID Freight	\$0	\$0	\$0	\$0	\$0
	P.L. 480 Freight	\$679,494	\$0	\$7,801,532	\$2,431,932	\$5,832,679
	P.L. 480 Donated Food	\$1,551,750	\$5,239,906	\$150,565	\$450,000	\$323,250
	USAID Grants	\$0	\$0	\$50,000	\$241,561	\$190,000
	USAID Contracts	\$0	\$0	\$0	\$0	\$12,854,915
	Other USG Grants	\$198,522	\$4,114,501	\$25,122,253	\$5,676,444	\$7,732,861
	Other USG Contracts	\$0	\$15,415,585	\$0	\$0	\$0
	Total USG Support	\$2,429,766	\$24,769,992	\$33,124,350	\$8,799,937	\$26,933,705
	By Mechanism, combined					
	USG Grants	8.2%	16.6%	76%	67.3%	29.4%
	USG Contracts	0	62.2%	0%	0%	47.7%
	P.L. 480 Donated Food & P.L. 480 Freight	91.8%	21.2%	12.4%	32.8%	22.9%
Other Gov't Support	Other Gov't. & International Organizations	\$0	\$0	\$985,839	\$0	\$148,014
Private Support	In-Kind Contributions	\$0	\$0	\$0	\$144,233	\$1,478,137
	Private Contributions	\$31,491	\$30,928	\$20,131	-\$9,276	\$101,735
	Private Revenue	\$11,597	\$11,355	\$166,239	\$100,160	\$31,910
	Total Private Support	\$43,088	\$42,283	\$186,370	\$235,117	\$1,611,782
	TOTAL SUPPORT & REVENUE	\$2,472,854	24,812,275	\$34,296,559	\$9,035,054	\$28,693,501
	% USG Support	98%	100%	97%	97%	94%
	% Other Gov't Support	0%	0%	3%	0%	1%
	% Private Support	2%	0%	1%	3%	6%

Of the total share of USG funding, approximately 77 percent came in the form of grants in FY2004 and 67 percent in FY2005. Table 13 also shows that, roughly, 62 percent in FY2002 and 48 percent in FY2006 of the total USG funding came in the form of contracts. In light of the erratic shifts in the funding tools used and in sharp contrast to ALPHA and BETA, SIGMA's funding profile does not suggest the existence of an

explicit strategy or preference for contracts over grants or vice-versa. This may be an indication of an organization that is merely “following the money.” It is also possible that the drop in SIGMA’s dependence on contracts was a direct result of a disagreement the INGO had with the USDA in 2002, which resulted in a year suspension of the INGO.

Staff Interviewed:

SIGMA has the smallest US-based staff among the three INGOs, with four people listed on the organization’s website, plus an onsite lawyer. Due to issues of confidentiality and attorney-client privilege, I was unable to acquire an interview with the lawyer. I was however able to obtain telephone interviews from the Chief Executive Officer, who is also the Chairman of the Board and the Program Coordinator, who is also the Treasurer of the Board of Directors. The CEO and the Program Coordinator are also responsible for overseeing the finances of the organization, including writing and reviewing proposals.

5.7 FINDINGS

5.7.1 Resource Importance

Hypothesis 1: High dependence on government funding as the primary source of revenue and support is likely to result in less INGO autonomy

Evidence from this analysis suggests that SIGMA is the least autonomous of the three INGOs in this research. This can be attributed to the INGO’s heavy dependence on a more exacting and restrictive funding source, that is, USG funding. This is with respect to its financial, operational and managerial autonomy. Recognizing the INGO’s high

dependence on USG funding, both participants from SIGMA acknowledged the poor state of the INGO's financial dependence as shown in the following statements.

We probably have a problem, we've been trying to cut back on it, but that's where a lot of the money is. (Program Coordinator)

We went too much into getting money from the government and I would... it's very difficult at this time to survive the way we are or anywhere near without government support. (CEO)

While there is recognition of the potency of the USG as a valuable funding source, there is also recognition of the influence USG funding can have on the INGO's operational autonomy. The following statements by SIGMA's CEO suggests that the INGO's priorities take second place to those of government, especially when the INGO's priorities are incongruent with those of government. The statements also suggest that SIGMA's operational autonomy is also undermined as a result of the power and resource asymmetry between the INGO and its USG funding sources.

Well let's say Peru – if you ask people in Peru in the rural areas what do they need and they say they need a clinic as a priority, but for you it would be very difficult to fund a clinic at that time than an agriculture project or something else. So very often PVOs or NGOs have to kind of fit in with the priorities of the donors (that is), the interventions of the donors, which is unfortunate...

We were approached by the USDA to do USDA a favor and the favor was – there was a rice company in the U.S. that needed an INGO or PVO to sign a contract because they were not a PVO. So I was approached and asked, would we do them a favor in order to help this American firm to undertake a program in Africa and after considering it and after considering very many aspects of it, it sounded like a good project, and we knew the top people in USDA were interested in this as this organization or firm also had support from Congress by helping the USDA. And also the fact that they had funding promised – actually very strongly promised funding which in part came through from one of the big corporations – another corporation in the States working in that country. We decided to undertake the program and then we ran into a lot of interference from the USDA in trying to implement the program such as, you know this group -

firm has been (in action) for a long time and they know what they are doing, you signed the agreement, but hands off, let them do this. And in the long run we got penalized, the project fell apart – by suspending us for a year; we had to fight the suspension.

Yet another limitation of USG funding is that it is usually earmarked for particular countries that are considered a priority to the USG, places where an INGO may not have existing presence or are not priorities for the INGO. In addition to this, the Standard Provisions of U.S. Non-governmental Recipients also show that, “unless otherwise approved by the USAID Agreement Officer (or other USG funding agency), funds will only be expended for assistance in countries eligible for assistance under the Foreign Assistance Act of 1961, as amended, or under the acts appropriating funds for foreign assistance.”

In light of SIGMA’s high dependence on USG funding, such incongruence in priorities has the potential of weakening the financial viability of the INGO especially if the USG does not earmark funds for countries that are a priority to SIGMA or countries where SIGMA is not currently operating. Again, we see the influence of such as a situation on SIGMA’s operational autonomy in the following statement by the CEO.

If you look at the priority countries of USAID and USDA, they do have their priority countries and priority countries are usually the countries that are not as needy may be. I will give you an example, if you look at Africa, the USDA program is focused on countries such as Senegal, Mali or some needy countries such as Niger. But then you have Kenya (a less needy country) – you find that there is no USDA priority country listed... Central African Republic or the Democratic Republic of the Congo (former Zaire) is not listed; but then if you look at the USAID list, you will find that the USAID list (is) even more limited because usually they give preference to countries where they have their own Aid Missions. So if you have an aid mission in Senegal, then Guinea Bissau is not a priority country – that’s true with the USDA. We have a program in Guinea Bissau, but we got that program years ago when Guinea Bissau was on the list – they are still on the list for food education but for nothing else. So

there is less chance that you are going to get an agriculture program approved or something similar in rural development for Guinea Bissau than you are for Senegal.

As a result, SIGMA's high dependence on USG funding poses threats to the longevity and sustainability of its programs due to changes in USG funding priorities. And while government funding provides critical resources to SIGMA, the funding comes at a cost to the INGO's operational autonomy due to the coercive nature of the funding tools or funding in general as illustrated in the following statement.

When you do get the money though, within the plan that the USG approves, there are sections in there on how the money is going to be used; so if it's going to be for the development of food banks in the country, it's going to give a description of the food banks and their location and it's going to give a budget for the food banks, if it's cash for work, then it's going to do the same thing – provide a budget and a description of how it's going to be used.

The above not only speaks to how USG funding tends to steer, direct and control INGOs in particular directions by use of ex ante rules and regulations governing resource allocation and input use.

The statement also speaks to the specificity inherent in some of the USG funding instruments such as contracts and monetization (discussed in detail in Chapter 6). Note that a significant share of SIGMA's USG funding also comes through food aid (monetization). It appears that monetization was the organization's bread and butter in 1997, with 92 percent of its total USG revenue support being channeled through food aid and freighting (shown in Table 13). The share however dropped to 21 percent in FY2002, 12 percent in FY2004 and went up to 33 percent in FY2005 and then dropped to 23 percent in FY2006.

And while INGOs request approvals to make budget or other changes to an existing funding agreement, the length it takes to get the approvals is long enough to negatively affect SIGMA's operations and hence the INGO's responsiveness. Note that the CFR 22 does not indicate the length of time it takes to get approvals from USG funding agencies. However, as shown with ALPHA and BETA, we do know that according to Code of Federal Regulations' Section 226.25 on Revision of Budget and Program Plans, INGOs are required to seek prior written approval from USG funding agencies before deviations can be implemented. This suggests that INGOs make project-related decisions in consultation with the USG funding agencies and therefore, are not entirely autonomous entities. As the CEO indicated, one is able to,

One is able to... make changes but you have to request an amendment and that can be quite lengthy, I mean, there are very often changes, for instance, (when) we sell USDA commodities overseas (a process called monetization) and particularly in Africa, we very often get more money than we originally proposed. And if you get more money, you have to have an amendment approved, which will allow you to spend the money where you desire to put it..., and the amendments can take 6 months, sometimes longer; they are very, very slow, with the USDA, very slow.

Such delays can render INGO work less timely and inflexible, suggesting losses in its operational autonomy. By extension, an INGO might not only encounter difficult and challenging questions about its operational autonomy, but also its effectiveness and credibility.

The findings also suggest similar to ALPHA and BETA, SIGMA is also influenced and controlled through interventional controls; more so for SIGMA given its heavy dependence on USG funding. As the CEO noted,

You have reporting – I mean, we get reports here on a monthly basis from overseas; we report to the USG on that every 6 months.

According to Section 226.51 (b) of the Code of Federal Regulations,
“performance reports will not be required more frequently than quarterly or, less
frequently than annually.”

SIGMA’s Program Coordinator speaks on the burdensome nature of USG funding
compliance requirements in the following statement.

Compliance issues... have become more onerous as time goes on; they
require more every year, it’s getting to be you spending more time
complying with things than you do actually spend doing other things
sometimes. USDA compliance has increased...

Participants across all three organizations, that is, those with USG funding
experience, agree that the USG’s monitoring, evaluation, reporting and compliance
requirements tends to be arduous and very demanding to any INGO receiving USG
funding. This suggests that with regard to USG interventional controls, an INGO’s level
of dependence on USG funding may not matter much. Perhaps the only exception is if the
INGO’s share of USG funding is channeled through contracts. Participants across all
three INGOs considered the ex post reporting requirements associated with the contract
funding mechanism to be highly controlled and demanding.

**Hypothesis 2: High dependence on any one dominant funding source is likely to
result in limited INGO autonomy**

Since USG funding is the only dominant funding source for this INGO, this
hypothesis did not apply to SIGMA.

5.7.2 Resource Alternatives

Hypothesis 3: INGOs maximize their autonomy or minimize their external dependence and control through revenue diversification.

When asked if the INGO had any plans for revenue diversification, both the CEO and the Program Coordinator pointed out that this decision was to be discussed in an upcoming strategic planning meeting that was to take place in late December of 2008. Attempts to obtain this information and document proved unsuccessful.

Nonetheless, an analysis of the interview data reveals evidence to support SIGMA's recognition of the need to diversify its revenue streams. This evidence gives credence to the perceived efficacy of revenue diversification as a strategy for minimizing an organization's external dependence. The following statement by the CEO illustrates the financial dilemma SIGMA faces should the INGO experience a decline or a cessation of government funding.

The organization would be able to survive, but it would have to change its strategy somewhat to do more fundraising from the private sector. It's not easy to get money from the public and we went too much into getting money from the government and I would say the government – yeah – it's very difficult at this time to survive the way we are or anywhere near without government support.

The only way SIGMA would be able to remain operational without USG funding is if alternative funding sources are secured.

Note that SIGMA's revenue streams are diversified along USG funding tools that is, across USG grants, contracts and monetization, rather than along funding sources. As Foster and Fine (2007) pointed out, some nonprofits have grown big, not by seeking after diverse sources of funding as conventional wisdom would have it, but by going after a single type of funder such as corporations or government as SIGMA seems to have done.

However, most of the nonprofits the authors studied reported having restricted programs or operations as a result of their high dependence on a single dominant funding source – a portrait that appears to describe SIGMA’s current operational autonomy. As a result, any shifts and instabilities in the USG funding environment will most likely become a source of financial vulnerability for the SIGMA. In other words, SIGMA’s high dependence on USG funding has become its Achilles’ heel.

Hypothesis 4: Compared to other funding sources, government is more likely to minimize INGO autonomy by restricting access to alternative resources.

Again, as illustrated in the case of ALPHA and BETA, this research shows that the only explicit government restrictions on INGOs’ access to alternative funding include the Fly America Act, the Eligibility Rules for Goods and Services of April 1998, and the Executive Order on Terrorism Financing. More potent restricts are those the INGOs place upon themselves to ensure that the organization does not enter into exchange relationships that present conflicts of interest for the organization. As SIGMA’s CEO observed, some funding may be provided purely for marketing purpose and not based on need.

If you use corporations, you find that some of the corporations and also corporate foundations... want to provide money as subsidiaries. In other words, if they don’t have contacts or activities going on in the Congo Republic than they do in Nigeria (for example), they are going (to fund you only for programs in) Nigeria... I could give you an example of the Congo Republic – Petroco (pseudonym) has funded some projects, but Petroco likes to see their little name on each desk or water project so that people know they have a corporate responsibility to the country. It’s a marketing strategy – the USG does that too; we always try to put U.S. logos – USAID or USDA on our projects, the USG calls it branding. (SIGMA’s CEO)

Unlike ALPHA and BETA whose financial dependence on the USG is low, SIGMA's high dependence on USG funding provides this research with an opportunity to observe the full extent of the USG's influence and control on an organization rather than a funded-program. First, the INGO cannot survive in the absence of USG funding, unless alternative funding sources are secured. Second, in light of the high ex post or interventional constraints associated with USG funding, essentially all of SIGMA's decisions pertaining to managerial and operational matters have to undergo government scrutiny, during program implementation – by way of mid-course monitoring and reporting, and after program implementation – through ex post reporting. This includes field audits, and direct monitoring by the USG funding agency. These mechanisms enable USG funding agencies to maintain a tight grip on SIGMA's decisions and activities, thus grossly undermining the INGO's decision making capacity i.e., undermining SIGMA's organizational autonomy as opposed to its programmatic autonomy as we have seen in the case of ALPHA and BETA.

5.8 INGOs Autonomy: The Impact of Foundations and Corporate Funding

The preceding discussion has demonstrated that while INGOs have the freedom to exercise some of their autonomy or actual decision making competencies, they do exercise this within very confined or controlled environments. The environment is confined by virtue of the ex ante rules, regulations, the interventional constraints, and the USG's ability to 'veto' INGOs' decisions by way approving or disapproving them. Perhaps, an alternative way of looking at this is that INGOs make "autonomous" decisions in consultation with the USG funding agencies.

In order to understand the degree to which USG funding influences and controls INGOs, thus usurping their potential for actual use of their decision making competencies, this section compares the USG as a funding source to foundations and corporations. The findings are arranged by autonomy dimension, and they include a section focusing on some of the ex ante and ex post mechanisms employed by foundations and corporate funders.

This research finds evidence to suggest that in contrast to government; foundations and corporations yield relatively more autonomy to INGOs across all dimensions as shown in Figure 6 below. However, this research also finds that both foundations and corporations operate like government in some respects, thus negatively impacting INGOs' autonomy dimensions to some degree. And similar to government funding, the influence on INGOs' autonomy takes place through ex ante and ex post controls, particularly through budget controls and preferences, in the case of both foundations and corporations; and high monitoring and evaluation requirements, in the case of foundations.

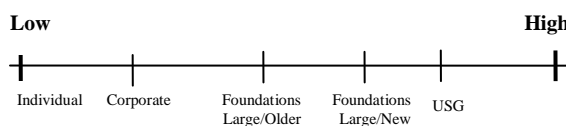


Fig1: Threat to Operational Autonomy

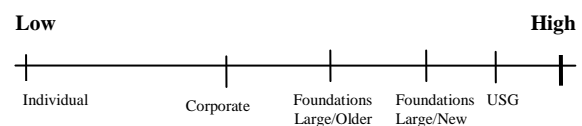


Fig 2: Degree of Interventional Constraints, by Source

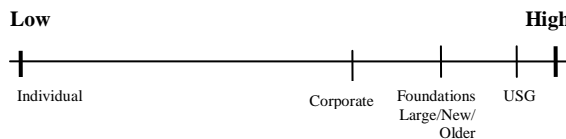


Fig3: Threat to Managerial Autonomy: Financial Management

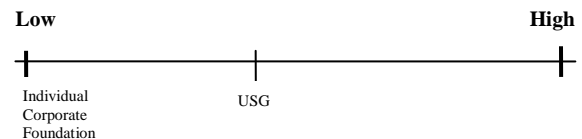


Fig4: Threat to Managerial Autonomy: HR Management

Figure 6: Relationship between Funding and Autonomy, by Source

Figure 6 therefore illustrates the perceived impact of funding on INGOs' autonomy dimensions, by funding source. These figures were constructed based on participants' expressed experiences with each of the funding sources. While the researcher's judgment plays a role in selecting the point of placement for each of the funding sources relative to the others; the general direction and magnitude of the relationship was guided by various statements from participants across all three INGOs. Additional information on the construction of Figure 6, Figure 7 and Table 15 is provided in Appendix 4.

Operational Autonomy

The findings indicate that government constrains INGOs' operational autonomy by way of ex ante rules, preferences and requirements, as well as through ex post monitoring and reporting requirements. As a result, USG funding yields less operational autonomy to INGOs compared to other funding sources, that is, next to larger newer foundations and older foundations, respectively.

And while foundations may promote innovation among INGO grantees, their approach to grantmaking also poses threats to INGOs' long-term development plans. As the foundations experts from ALPHA and BETA pointed out, foundations prefer to fund innovative and pilot projects as opposed to ongoing programs. At the same time, one could argue that the advantage with foundation grants is that they create an environment that fosters INGO innovation and perhaps, high operational autonomy since the pilot projects would originate entirely with the INGOs.

Similar to government, foundations also have a tendency to allocate funding to particular programs areas. In the words of ALPHA's Foundations Expert, these priority program areas change with "the trends and fashions of what they want to support." Similar to funding pilot projects, allocating money for particular programs also poses challenges on INGOs long-term operations or agendas, especially if they are highly dependent on foundation grants. Also similar to government, foundations require INGOs to submit any budget variances of over 10 percent for approval prior to implementing the changes, suggesting a loss of operational autonomy for INGOs.

Considering that foundations will not pay for certain items like the vehicles INGOs may need to implement funded projects, INGOs' resource allocation and use decisions are also influenced and controlled through the requirement that INGOs maintain minimum overhead costs. This compels INGOs to make budget decisions that respect these budget rules. According to the foundation experts from both ALPHA and BETA, where an overhead of 25 percent would be more realistic for INGOs, the Melinda and Gates Foundation prefers to fund an INGO with an overhead of about 15 percent, while the Ford Foundation is even more stringent in expecting a 5 percent overhead cost. ALPHA's foundations expert further elaborates on this in the following statement,

In micro-financing projects, foundations have been pushing INGOs to lower their costs such that they serve more people with very little budget. This questions the quality of our work. Sometimes we can't do much of quality with very little... The Lerner Downen* Foundation is mostly interested in achieving impact and cost effectiveness and sometimes the two do not always add up.

Moreover, some foundations engage their own program experts into dialogues with INGOs during the grant solicitation phase. For instance, according to BETA's Deputy Director of External Relations,

From a foundations side ... you are also working across the table with other program experts. So when we work with the Lorner Downen Foundation, or when we work with any of our large foundations, it's our health expert talking to their health expert about the programs.

While this process could be viewed as a filtering for screening out unsound programs and implementation plans, the inclusion of program experts in the process can also be regarded as a type of ex ante control mechanism. In this regard, the foundation program experts act as a mechanism for communicating and emphasizing donor preferences and priorities, thus steering, controlling, and directing INGOs' program designs and implementation plans to ensure that they incorporate those priorities.

On the other hand, the chance to meet with other experts may be to the advantage of INGOs as this provides them with a forum to negotiate with the funders directly, unlike with USG funding where direct, one-on-one negotiation is limited. However, there is always the chance that INGOs' operational autonomy will be undermined as INGOs can no longer make decisions about programs and how those programs are to be implemented without the donor's approval. Again, such approvals or disapprovals can make a difference for INGOs in terms of whether they get an award or not. As a result, that may create an environment that has the potential to compel some INGOs to compromise on their values in order to win a funding award, thus securing the financial viability of their organizations.

While larger older foundations demand low overhead costs, they appear to be a little more flexible and therefore allow more negotiation with their grantees. The following statement by BETA's Deputy Director of External Relations elaborates on this.

(The negotiation is characterized by) a lot of back and forth and with foundations – they approach you, you never approach them. A lot of the bigger foundations ...don't take unsolicited proposals. With some of our foundations, we put a proposal together and then we pitch it to them, but with big newer foundations, especially the Lorner Downen Foundation, since it's one of the largest foundation, they come to BETA and say, we want to help you guys increase your presence in U.S. advocacy, put a proposal together.

This statement also reveals how foundations are able to retain control over INGOs' decisions by not taking unsolicited proposals. By approaching INGOs, foundations establish both a power and resource asymmetry over INGOs thus setting the tone in terms of what they would like an INGO to do. In this sense, the foundations' funding preferences, objectives, programming ideas and program theories are more or less defined a priori and therefore do not necessarily originate with the INGOs. Thus resembling USG contracting relationships, INGOs become mere implementers of foundations' programs or "contractors" on behalf of foundations.

Nonetheless, INGOs are likely to retain some operational autonomy as they get to design the programs and implementation plans, albeit, in consultation with the funders. Similar to government therefore, these program designs and implementation plans must endure the review and approval process. It is through this process that operational autonomy is likely to be undermined. In light of this, one wonders whether INGOs are regarded as the direct relief and development expert that they are or as mere implementers of funders' projects, thus undermining INGOs' uniqueness and potential.

And in response to the question of the degree to which larger newer foundations influence INGOs operational autonomy, BETA's Deputy Director of External Relations responded with the following statement, a view also shared by ALPHA's Foundations Expert.

I think it's a huge percentage (that is, the extent to which the INGO is influenced), but I think that's why having a relationship with them (is important) so that they understand what we are doing. With private individuals, it's not that much, really it's more of BETA saying, these are our priorities and you know I understand you are interested in education.

The findings also suggest that corporate funding is associated with high ex ante and ex post controls, but not as arduous as with the USG or foundations. As a result, the likelihood of weakening INGOs' operational autonomy is relatively weak. According to BETA's Deputy Director of External Relations, unlike foundations, which usually have program expertise on staff, corporation funding decisions are usually made by the CEO, and for the most part, such decisions are primarily focused on a desire to be seen as being socially responsible.

The high ex post requirements could be attributed to a venture philanthropy approach, where corporations view their gifts as some sort of "investment" which is expected to yield some rate of return. As a result of this approach, INGOs may retain a lot of their operational autonomy, as they are likely to be regarded as the experts at what they do under this approach. However, they may not be entirely unexposed to the constraints emanating from the high ex ante budget controls which govern how funds are utilized, and the ex post control that requires INGOs to demonstrate evidence of the impact of the gift. BETA's Deputy Director of External Relations articulates this point in the following statement.

With a corporation you might be working with a head of a foundation, but the corporation doesn't understand our work as. There is this huge educational background, just really educating them about the work that we do and... the impact factors – how they may or may not be difficult to get based on the outline within the agreement for the funding.... We could not take the JWS'* (pseudonym) money and use it to program something JWS hasn't told us – that's part of the proposal. It has a dedicated fund and therefore we report on how we spend that fund – we always go back to what was the intent of the proposal.

The 10 million dollar gift we just got from JWS obviously has huge significant section that talks about outcomes. But a \$10,000 donation to a country office (CO) might not have as significant type reporting and we really try to balance, I mean if you think about it, for a CO to receive a \$10,000 gift, that's a lot of work to put on someone for a \$10,000 gift..... Most of their rules and regulations (are concerned with) how we spend that funding; So they came up with a mutual proposal and it was - a lot of times it's the expectation of how we spend down the grant.... It's spending and impact – it's very much spending and impact in areas in which we work.

The source of INGOs' operational autonomy therefore, comes about in that, while corporate funding is usually restricted to specific objectives, the objectives usually originate with the INGO. INGOs therefore propose what is assumed to be the best solutions to societal problems and corporations make investments based on the promise of success, hence the requirement to show impact. This may suggest that compared to foundations, corporate funder are more likely to regard INGOs as the experts at what they do; hence the high levels of operational autonomy associated with corporate funding. Overall, it appears that even in the face of high ex ante budget controls and ex post constraints, corporate funding is associated with higher INGO operational autonomy compared to both government funding and foundation grants. This conclusion is further elucidated below.

Managerial Autonomy

Also shown in Figure 6 above, this research finds that unlike government funding, corporations and foundations do not seek to influence INGOs' hiring decisions for the funded programs. However, the findings do suggest a relatively high influence and control on INGOs' managerial autonomy with respect to financial management. Similar to government, INGOs are expected to demonstrate good business integrity characterized by reasonable internal controls, accounting, recordkeeping, procurement and overall financial management systems (USAID 2009). As a result of these requirements and expectations, both foundations and corporations also impose relatively high ex ante budget rules and regulations on INGOs. Given the overhead cost rules identified above, foundations seem to want to keep a tight grip on how INGOs allocate and utilize the donated resources, by requiring that they submit financial reports every quarter, as well as annually. In addition, comprehensive financial reports are required at the close of the programs.

And according to ALPHA's Foundations Expert, similar to government, foundations require that INGOs seek approval for budget deviations of more than 10 percent prior to implementing those changes. As a result, it appears that foundations in particular are starting manage their grantee relationships quite like government, thus influencing and controlling INGOs decisions and activities through similar types of ex ante and ex post mechanisms.

Ex Ante and Ex Post Constraints

A key finding from this research is the relationship between accountability and ex post constraints on INGOs' autonomy. This analysis establishes that INGOs are not free from ex post reporting requirements, evaluations and audit provisions with respect to their decisions and outcomes. As a result, the analysis concludes that all funding sources, i.e., government, corporations and foundations, influence and control INGOs through interventional controls, though in varying degrees as suggested by Figure 6 above. All this is done in the name holding INGOs accountable. Table 14 below lists some of the controls mechanism funding sources employ to establish control over INGOs' decisions and activities, thus undermining their ability to make autonomous decisions. Also included in this section is a discussion of how foundation and corporate donors influences INGOs' decision making and activities through ex ante budget controls.

While red tape is mostly associated with government funding, this study also finds evidence to suggest a prevalence of red tape within larger and especially newer foundations. As a result, both government and foundations appear to be using red tape as a control mechanism to keep INGOs in check by monitoring the decisions they make. Comparing USG funding to corporate funding, SIGMA's CEO had this to say – a view also shared by BETA's Deputy Director of External Relations;

I can tell you --- business --- corporate funding...., we have had in some cases, just an exchange of letters, we've had in other cases, a one-page contract, and other times maybe a 3-page, maybe 4-page contract. It's mixed, but it's really interesting because you don't have all the paperwork usually that you do with the government. (SIGMA's CEO)

The following statements depict how INGOs have experienced foundation grants compared to government funding. The statements illuminate some discomfort INGOs

have had with the monitoring and evaluation requirements of foundations. They also illustrate that similar to government, foundations like to retain control over INGOs' budget, that is, on how INGOs allocate and use the provided inputs by use of budget rules and regulations. As a result, ex ante controls manifest in budget approvals and amendments, as well as the requirement that INGOs to provide evidence of how the provided funding was allocated and utilized.

From a foundations side ... it is like the blend of working with government and working with the private individual or corporation.
(BETA's External Relations Deputy Director)

Some foundations are better than others. I have to say Lerner Downen Foundation is awful – they have grown pretty rapidly; their new program officers sometimes don't even understand (their) own budget process. ... And they have very complicated budgets and budget rules and some of their program officers – some of the new ones, they start making up new rules that aren't right, but because they are very stubborn about it, it's not consistent across the organization. Also Lerner Downen Foundation tends to keep coming back over and over and over for revisions and really, it takes a very large amount of an organization's time – depending on the program officer. Some of them really micro-manage, others are fine.

At BETA we used to call it "Lerner Downen Torture," because they keep coming back and wanting more and more. And all this is before they approve the proposal – it goes on sometimes for a year and a half – it's a very long time – it's a lot of staff time. Whereas an older foundation like, the Hannah Foundation; their proposals are pretty simple. (The younger foundations) are disorganized. And the Lerner Downen Foundation system is really complicated, I mean, everybody wants a timeline and their timeline is linked up to the budget and that's linked up to the logframe and if you change one line item in the budget, you have to go and change all the other documents. If you adjust, it's real difficult. (ALPHA's new Foundations Expert, also a former employee of BETA)

Next to government therefore, larger newer foundations in contrast to older foundations and corporations, appear to weaken INGOs' operational autonomy through controlling resource allocation and use. This influence also appears to be achieved by

weakening INGOs managerial autonomy with respect to financial management through ex ante budget rules and approval requirements. While all this is achieved through ex ante controls, ex post constraints have also been utilized to ensure continued compliance. Perhaps the reason this approach may work is that similar to government, foundations and corporate funders also exercise incremental funding on their INGO grantees.

This research also finds evidence to suggest that unlike foundations and government funding, the absence of red tape and tedious paper work associated with corporate funding promotes or facilitates increased INGO operational autonomy. As SIGMA's CEO highlights,

Grants are a little easier and especially if they are from the private sector (because) ... there is more understanding of what goes on. For example, if you have two organizations funding the same project in the private sector, (both of them would) say just extend the program, add to it or so, with government, this is not possible.

This suggests that most of the corporate rules and regulations are concerned with how INGOs spend the funds they provide (including having solid financial accountability and management systems), as well as the impact their gift made, with the latter suggesting the use of ex post controls (though not as arduous as USG or corporate funding ex post controls). The following statement by BETA's External Relations Deputy Director further elucidates this point further.

A lot of times, it is the expectation of how we spend down the grant..., we report on how we spent the gift and impact... corporations are more restricted (compared to some foundations) because they have a bottom line shareholder – you know, they have to be ready to report back why they gave us a \$500,000 grant.

Apparent from these statements is that, ex ante, mid-course and ex post controls are designed to ascertain whether INGOs are doing what they promised to do. Given the presence of mid-course monitoring, INGOs are compelled to maintain compliance with the ex ante and ex post rules and expectations since this information is used to support decisions for continued funding of the INGOs. In other words, decisions about INGOs' continued receipt of funding increments are contingent upon their compliance and mid-course performance. Such constraints do not only ensure that the funding source's preferences, priorities and expectations are incorporated into the decision making; they also ascertain whether they were acted upon and eventually fulfilled. It is however essential to remember that it is INGOs' autonomy with respect to the funded program that is compromised and not autonomy as it relates to the rest of the organization, unless the funding from a particular source constitutes the lion's share of an INGO's total revenue as in the case of SIGMA.

Table 14 below summarizes of some of the control mechanisms discussed in the research. The study concludes that different funding sources employ these control mechanisms in order to steer, direct and control INGOs' decision making and subsequent activities, with respect to the funded programs. Such constraints influence and restrict INGOs' decision making competencies pertaining to resource allocation and use, and programming. It is through these control mechanisms therefore that INGOs' autonomy is compromise and weakened, that is, INGOs' capacity to make unilateral decisions pertaining to the policy operations, accountability and management tasks associated with funded programs.

Table 14: Funding Sources' Control Mechanism

Funding Source or Tool	Control Mechanisms
Government	
<i>Ex Ante Controls</i> (includes pre-Award requirements):	Proposal Approvals Budget Rules & Regulations (e.g., USG Procurement Rules codified in the Code of Federal Regulations (CFR 22); Fly America Act; USAID Eligibility Rules for Goods and Services of April 1998; the Executive Order on Terrorism Financing) Budget Approvals Key Personnel Approval Red Tape
<i>Mid-course Controls:</i>	Budgets Deviations (e.g., variance of above 10%) Program Deviations Red Tape
<i>Ex Post Controls:</i>	Evaluation Reporting (e.g., quarterly, 6 months, or annual) Financial Audits (e.g., A133) Field Audits (by Audit staff) Direct Ongoing Monitoring Red Tape Federal Conditionalities (e.g., Anti-Prostitution Clause; The Global Gag Rule)
<i>Sanctions:</i>	Threat of Sanctions (e.g., suspension; pay back funds)
Foundations	
<i>Ex Ante Controls:</i>	Proposal Approvals Program Deviations Budget Approvals Budget Deviations (variances above 10%) Expert Screening Budget Rules (e.g., 15% overhead (Gates); 5% overhead (Ford); No purchase of program-related vehicles) Financial Reporting Red Tape
<i>Ex Post Controls:</i>	Ongoing Monitoring Evaluation Reporting (quarterly narrative reports) Annual Financial Reporting Red Tape
<i>Sanctions:</i>	Threat of Sanctions (pay back funds)
Corporations	
<i>Ex Ante Controls:</i>	Budget Rules Budgets Deviations Financial Statements Programs Deviations
<i>Ex Post Controls:</i>	Monitoring & Evaluation Reporting Annual Financial Statements

5.9 Summary of Findings

To summarize, this research began with the central question of whether government funding, relative to other funding sources undercuts the autonomy of INGOs. This chapter compared the within-case findings to the derived hypotheses, with a special focus on the resource dependence framework utilized in this study. The findings suggests that in many respects, USG funding weakens INGOs' autonomy relatively more than other funding sources, and this impact varies by autonomy dimension as illustrated in Figure 6 above. These conclusions are inductively drawn from the participants' experiences with government, corporate and foundations funding. As such, the Figure 6 is based on commonly shared agreements about the impact or influence of government funding on different autonomy dimensions, relative to alternative funding sources like foundations, corporations, and individuals contributions.

This research also finds that relative to other funding sources, USG funding in general, is associated with strong ex ante and ex post controls in the form of strict rules and regulations. Coupled with this are the significant differences in ideology (compared to INGOs), which come in the form of funding conditionalities (e.g., The Global Gag Rule). This research concludes that it is through these constraints that the steering, directing, and controlling of INGOs' decision making occurs. In other words, it is through these mechanisms that INGOs' actual decision making competencies with respect to programmatic operational autonomy for the funded programs are weakened or confined.

This is not to say that foundation grants and corporate gifts do not undermine INGOs' autonomy. The findings articulated in this research suggest that similar to

government funding, foundations in particular, might increasingly be operating more and more like government with respect to their use of ex ante and ex post control mechanisms to direct and control INGOs' decision making pertaining to resource allocation and use. This may be attributed to the "venture philanthropy" approach which perceives foundation grants and corporate gifts as "investments" as opposed to "donations." This increased interest in seeing a rate of return on donors' investments may be a function of the stricter ex post compliance requirements INGOs are increasingly facing, all in the name of accountability.

As a result, similar to USG funding, though not at the same level of influence, corporations and foundations influence INGOs' operational autonomy by controlling and constricting the environment within which INGOs make decisions pertaining to resource allocation and use. This is achieved through a number of control mechanisms as shown in Table 15. These include ex ante budget rules, regulations and controls such as placing a ceiling on overhead costs, and requiring INGOs to seek prior approval for their purchasing and procurement decisions.

In addition, information from mid-course monitoring also appears to be used to ensure INGOs' compliance. By so doing, failure to demonstrate compliance and/or impact could result in a cessation of an INGO's continued funding. In other words, donors' incremental approach to financing INGOs provides donors with the discretionary room to discontinue or terminate the provision of remaining installments or obligations to an INGO. All this suggests that INGOs receiving USG funding, as well as foundation grants are increasingly operating in tightly controlled funding environments, suggesting a

milieu in which such conditions potentially stifle INGOs' innovation in decision making and by extension, their overall responsiveness and effectiveness.

With regards to USG funding, the findings in this research suggest that an INGO's share of USG may not matter much when it comes to the influence of interventional constraints. As such, regardless of the proportion of USG funding an INGO receives, it still faces equally onerous ex post monitoring and reporting requirements. This is exemplified by the fact that, in response to only 10 percent share of USG funding, ALPHA set up an entire unit with a staff of 4 people to deal solely with compliance issues associated with USG funding.

The share of USG funding an INGO receives however makes a difference when it comes to the level of influence the USG is able to exert on an INGO's operational decisions and managerial decisions, especially with respect to financial management. The findings suggest that while government may be able to exercise influence on INGOs decision making through various mechanisms, for an INGO receiving the least share of USG funding like ALPHA, USG influence only extends as far as the funded programs.

In contrast to ALPHA therefore, the findings suggest that SIGMA as an organization faces strong government influence and control given its high dependence on USG funding. The same is true for BETA, though to a limited extent – given that almost 50 percent of the INGO's programs are funded by the USG. In addition, should the USG support of INGOs cease for any reason, BETA's organizational size and programs would therefore be reduced by almost half, while SIGMA would cease to exist altogether – assuming that no replacement funding is secured.

There are however, positive spillover effects that can derive from an exchange relationship with government and with corporate and foundation funders. The findings suggest that the high accountability demands placed upon INGOs can compel them to improve their capacity to self-examine. This has been accomplished through the demand for INGOs to create and maintain good business integrity through establishing strong recordkeeping measures, as a condition for establishing one's eligibility to receive USG funding. In addition, INGOs internal controls may have been strengthened especially, in light of the required annual A133 Audit.

It could therefore be argued that these accountability demands have improved the professionalism of INGOs as they are increasingly compelled to formally consider the efficiency and effectiveness of their programs through accounting for their spending and the impact of their funded programs. In a sense, ex post monitoring and evaluation requirements may have fostered a formalization of the process of evaluation within INGOs. These externalities therefore are applicable to all three INGOs and perhaps to USG-funded direct relief and development INGOs. As shown in Table 8 (in Chapter 4) 18 of the 19 participants from all three INGOs drew a positive link between USG funding and INGOs' professionalism.

Finally, the findings in this research also suggest that INGOs are not without avenues to exercise some of their autonomy. After all, INGOs choose which funded relationship to enter into; they also design the programs to be implemented, and they can also suggest deviations from those plans. However, this exercise of "autonomy" is done in consideration of program guidelines and objectives, and in consultation with the funding agencies.

CHAPTER 6

CROSS-CASE FINDINGS: A TOOL CHOICE PERSPECTIVE

6.1 Introduction

This chapter presents the cross-case findings based on an analysis of data pooled from all three cases. Designed to expound on the influence of funding tools on the INGOs' behavior with respect to operational and managerial autonomy, this chapter compares the cross-case findings to the tool choice hypotheses presented in Chapter 3. Demonstrated in this section is that different funding tools exert varying degrees of control on INGOs' decision making capacity, thus weakening the organizations' capacity for making independent decisions about programs and their operations.

Viewing the government funding-INGO autonomy discourse from the tool choice perspective therefore helps explicate some of the nuances inherent in this relationship. As a result, this perspective is instrumental in bringing clarity to the influence USG funding can have on INGOs' decision making competencies and activities. This is especially essential since grants, cooperative agreements and contracts represent key funding mechanisms employed by government to finance INGO activities (Kerlin 2006a).

6.2 Do Funding Tools Matter?

Figure 7 demonstrates the perceived impact of each funding tool on INGOs' autonomy dimensions. The decision to place each tool on a particular position on the continuum was also informed by information gathered from participants' experiences with each of the tools. As such, while the researcher judgment played a role in the

construction of these continuums, this was largely informed by the data. Additional evidence to support these illustrations was gathered from the different funding tools examined for this research, as well as from the descriptions of funding tools provided by documents such as the Automated Directives System, Acquisition and Assistance Chapter 303 from the USAID. Examples of the statements instrumental in the construction of these continuums are provided in Appendix 4.

This research finds that all participants who contributed to the discussion on funding tools recognized the signals each tool sends to the INGO, as well as how each funding tool is designed to operate. Consequently, the participants were able to provide insight into how each funding tool influences their operational and managerial decisions.

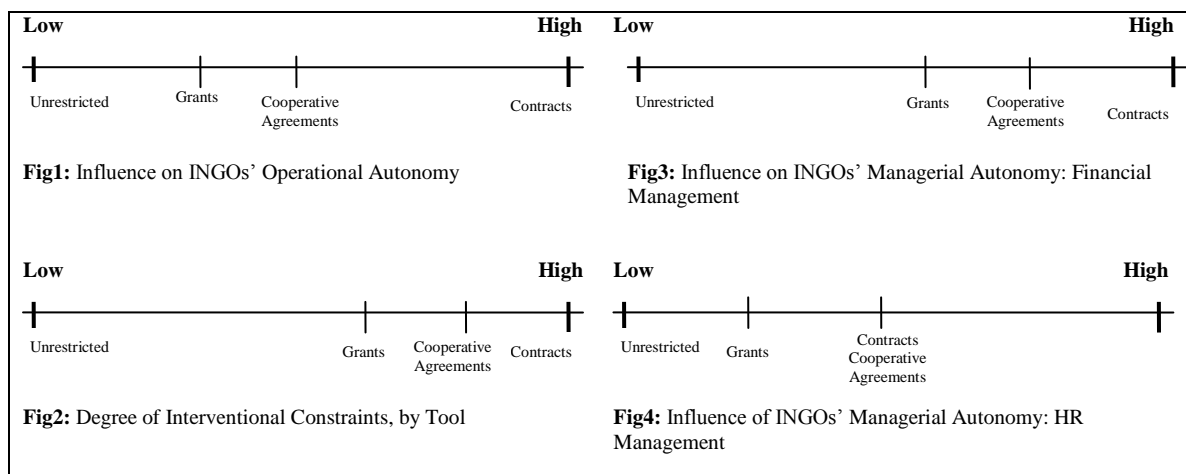


Figure 7: Relationship between Funding Tools and INGO Autonomy, by Dimension

This analysis concludes that different funding tools do indeed transmit different signals to INGOs about the funder's policy position, objectives, requirements and expectations. At the same time, and also consistent with Salamon (2002a; 2002b), each tool defines the operating environment INGOs work in and hence constricts INGOs'

ability to make independent decisions. As a result, funding tools weaken INGO's autonomy dimensions in distinctive ways as exemplified by statements like the following.

Different tools are subject to different kinds of regulations. (BETA's Internal Auditor)

...the grants are a little easier and especially if they are from the private sector and from the private sector, there is more understanding of what goes on... Contracts are more kind of more controlled – you need more.... monitoring on a contract for compliance; both (grants and contracts) need certain controls and compliance but it's a little more –under a contract I would say. (CEO, SIGMA)

Contracts are the difficult ones because, contracts are almost business documents and everything is set out very clearly and we have very little leeway in terms of how we can influence that. (Director of Global Support, BETA)

And as pointed out by ALPHA's Director of Grants and Compliance and also consistent across all three INGOs is the understanding that contracts simply signal that,

We want to hire you for your expertise to do this thing that we want done.... In this case, the USG knows what they want done and the INGO is simply the contractor or "the hired gun."

ALPHA's Program Director echoed the same observation as he contrasted contracts to cooperative agreements;

... the USG has several ways of allocating money, one is contracts, they know what they want and they want you to just do what they want (So the NGO is a contractor)... They want you to do this, they give the money and they pay you for what they want you to do. The other one is (a cooperative agreement); they have an idea about the ultimate goal they want to achieve... were they know what they want, but they leave it up to you the expert to make suggestions about how you are going to achieve it.

Similar to an observation by ALPHA's Director of Grants and Compliance, BETA's Director of Competitive Bids pointed out that grants and cooperative agreements indicate that,

...we (USG) have an idea of this thing we want done and we are not sure of the best way to accomplish it, so why don't you tell us how best to do it and whether that is all we need to be doing.... Well, (with contracts)... you have to be willing to pretty much take whatever direction that they are going to give you; whereas with a cooperative agreement, it is understood that you have your own mission, you have your own way of seeing the world, you have your own commitment and dedication to the communities you are working in and the USG is asking for your thoughts on how it's to spend money and then approving it and giving you that money but it remains more your money to embark on your program. When you have a contract, you don't own the program, they still own the program – you are the service provider, you know if they say jump you say, how high?

In light of the above, I compare the cross-case findings to three tool choice-based hypotheses in the next section.

6.2.1 Coercive Funding Tools

Hypothesis 5: Greater dependence on highly *coercive* funding instruments surrenders less autonomy to INGOs.

This research supports this hypothesis given that contracts, unlike unrestricted funding and grants and to a lesser extent, cooperative agreements, constrain INGOs' autonomy by spelling out the scope of work that INGOs must undertake. In contrast to cooperative agreements and grants, contracts clearly yield less operational autonomy. As shown in Table 10 (in Chapter 4), 9 participants across all three INGOs, expressed discomfort with contracts. The following statements outline how contracts operate, relative to other tools.

A cooperative agreement is much easier to work through, contracts are the difficult ones because, contracts are almost business documents and everything is set out very clearly and we have very little leeway in terms of how we can influence that. I mean, the steps are there, you just have to follow them 1, 2 and 3; while a cooperative agreement is much looser, and we have a chance to influence it and modify it a bit if needed. Grants and cooperative agreements are very similar. BETA prefers cooperative agreements or grants; unfortunately the USG is going much more towards contracts and it is much harder for us because it doesn't give us the leeway that we would prefer to have. (BETA's VP of Global Support)

Contracts are more controlled; you need more monitoring on a contract for compliance; both (grants and contracts) need certain controls and compliance but it's a little more under a contract. (SIGMA's CEO)

We are not government, we are non-sectarian and we are non-political, we are not supporting any political cause or any specific special interests. For instance, the USG has started putting in some of their solicitations that if we win the bid, we have to be promoting the U.S. foreign policy overseas and we will not go for those types of contracts because we don't want to be seen as an arm with the USG. So our independence and our impartiality are key to all that; we don't want accept any money that jeopardizes our impartiality and our independence... Unfortunately, the USG is going much more towards contracts and it is much harder for us because it doesn't give us the leeway that would prefer to have. (BETA's VP of Global Support)

Consequently, SIGMA may be surrendering most of its organizational autonomy not only because the INGO is almost 100 percent-USG funded, but also because a significant share of that funding is and has been channeled through contracts in the past (62 percent in FY2002 and 48 percent in FY2006 as shown in Table 13). This suggests that 62 percent of SIGMA's total revenue came with high use and output specifications and controls in 2002 alone and 48 percent of that in 2006. As such, SIGMA could be described as "contractor" of government, one that is implementing USG programs 62 or 48 percent of the time. And since nearly half of its funding has come through the contract

mechanism, one can draw the conclusion that the INGO is increasingly “subject to government’s direct instruction and control” (Shaikh and Casablanca 2008).

In contrast, cooperative agreements allow room for INGOs to exercise their autonomy as they design the programs and implementation plans, albeit in direct consultation with the USG given the “substantial involvement and participation” specified in the funding tool. As a result, cooperative agreements do yield some operational autonomy to INGOs; however, the environment within which INGOs make those decisions remains highly controlled in light of the USG’s substantial involvement and participation in all major program decisions. The statements also suggest that INGOs are able to incorporate some of their own preferences, interests, and priorities into the design of the programs.

ALPHA’s Program Director confirms that a major constraint inherent in cooperative agreements is that the USG expects to be involved in all major decisions INGOs make. In particular, the USG expects to be involved in determining the nature of the programs to be implemented, how they are implemented, and in approving INGOs’ choice of key personnel for those funded programs. Such involvement can constrain INGOs’ capacity to make independent operational and managerial decisions pertaining to the funded program.

Similar to an observation by ALPHA’s Director of Grants and Compliance, BETA’s Government Grants Expert points out that grants and cooperative agreements indicate that,

...we (USG) have an idea of this thing we want done and we are not sure of the best way to accomplish it, so why don’t you tell us how best to do it and whether that is all we need to be doing.... Well, (with contracts)... you have to be willing to pretty much take whatever direction that they are

going to give you; whereas with a cooperative agreement, it is understood that you have your own mission, you have your own way of seeing the world, you have your own commitment and dedication to the communities you are working in and the USG is asking for your thoughts on how it's to spend money and then approving it and giving you that money but it remains more your money to embark on your program. When you have a contract, you don't own the program, they still own the program – you are the service provider, you know if they say jump you say, how high?

This statement gives the impression that the money transferred through grants and cooperative agreements essentially becomes the INGOs' money to embark on their own programs. However, as noted above in the case of cooperative agreements, the USG remains substantially involved in how the provided resources are allocated and utilized and they do so by approving the grantees' program designs, annual implementation, monitoring, and evaluation plans; and by reviewing INGOs' budgets, workplans, and key personnel.

In actuality, the existence of these ex ante approval requirements weaken INGOs' independent decision making capacity by requiring that their implementation plans, workplans, and budget allocations and changes undergo government scrutiny and approval. It is here that INGOs' operational autonomy and managerial autonomy with respect to both financial and human resources management are weakened. This paradox is evident in the following statement by ALPHA's Program Director – a view shared by BETA's Directors of Food Programs, Competitive Bids, and Humanitarian Assistance;

First of all, one of the things cooperative agreements state clearly is that there will be USAID substantial involvement – it is clearly spelled out. So in that process, there are deliverables that we have to meet ... For example, the first thing we have to do is what is called a "Detailed Implementation Plan," (it details) how are we going to do it. We submit it to them and they approve it. And during the course of the project implementation, there are deliverables in terms of the reporting we have to do and the detailed implementation plan will spell out in detail step by

step what we are going to do. And they are very, very demanding in terms of details. Then there is somebody at the USAID office who is the Cognizant Technical Officer (CTO), who... oversee(s) the implementation of that project, so... we have to feed him with information on a regular basis (about) how we are doing. They will come to see the project, we send them the quarterly reports, we send in the financial reports and they will give us money in installments, they call it “obligation.”

Cooperative agreements are therefore associated with a high degree of ex ante, mid-course and ex post controls, and monitoring and reporting.

Though an INGO may respond to a grant announcement, in an effort to retain some measure of operation autonomy; should the USG agency decide to remain substantially and engaged in the program implementation process, the award would therefore be funded through a cooperative agreement. Perhaps this explains why the participants seemed to regard grants and cooperative agreements as being quite similar with the difference in the degree of substantial involvement.

It is also possible therefore that the lines between the two have become blurred and that they are equally subject to the same amount ex ante, mid-course and ex post control, monitoring and reporting. Perhaps this blurring of funding tools is symbolized by the following statement from a RFA announced by the USAID on July 29, 2008, for a project intended to support civil society and the rule of law in Iran issued.

“Under this 2008 Annual Program Statement (APS), the term “Grant” is synonymous with “Cooperative Agreement,” “Grantee” is synonymous with “Recipient...”

This announcement seems to suggest that indeed compared to contracts, grants and cooperative agreements seem to allow some room for INGOs to exercise their autonomy. While the RFA emphasized that USG funds could not be used for activities

involving the Iranian government, it allowed sufficient room for INGOs to design programs around one or all three outlined program objectives. The RFA also provided illustrative examples of activities to be included in the proposals without necessarily limiting the INGOs to the activities.

Although INGOs have the “liberty” to design programs as they see fit, the embedded “general” program summary, objectives, and examples of activities, provide INGOs with key clues about the USG preferences. Such preferences and indicators could potentially influence and channel INGOs’ decision making in directions that will likely improve their propensity to win the award. However, it is probable that INGOs are able to exercise high levels of operational autonomy when they are designing the detailed monthly implementation plans, given the detail required in showing the proposed activities and timelines for the first year of the program.

However, as illustrated about, it is important to remember RFAs may be quite vague about the nature of the funding tool that is eventually used to channel funding to INGOs in support of the funded programs. As a result, should the USG decide to be substantially involved in the program design and implementation, this award would thus be provided as a cooperative agreement rather than a grant, thus undermining the very autonomy that an INGO may have hoped to retain had the award been channeled through a grant.

As a result, in contrast to unrestricted funding, grants and cooperative agreements; contracts constrain INGOs’ autonomy disproportionately more due to their coercive nature. And because highly coercive tools are associated with high degrees of ex ante, mid-course and ex post controls; this translates into more control from the funder, thus

restricting INGOs' operational and managerial autonomy. Grants and cooperative agreements however, provide INGOs with some degree of operational autonomy or "say" in defining and designing how a desired output is produced. However, the ultimate degree of "say" undeniably comes through unrestricted funding.

6.2.2 Restrictive Funding Tools

Hypothesis 6: Greater dependence on highly *restrictive* sources of funding is likely to limit the autonomy of INGOs.

This analysis also finds that government funding in general, due to its restrictive nature, constrains INGOs' operational autonomy. Out of the 19 participants interviewed, 13 participants expressed discomfort with the presence of conditionalities attached to USG funding (shown in Table 10 in Chapter 4).

In addition, all three funding tools obtained from BETA included an attachment of various USG rules and regulations codified in the Mandatory Standard Provisions for U.S. Non-governmental Recipients. Included in this attachment are regulations pertaining International Air Travel and Transportation (e.g., The Fly America Act), and USAID Eligibility Rules for Goods and Services, a section that outlines ineligible goods and services and restricted goods that INGOs cannot procure with USG funding. As noted, other USG funding conditionalities include regulations such as, the Anti-Prostitution Pledge, Branding, and the Mexico City Policy. Some conditions preclude the use of USG funding in particular countries (e.g., the ineligible countries clause). As BETA's Director of Competitive Bids pointed out,

There are certainly examples of countries where we do not get USG funding – Myanmar is one; we were in Myanmar when the USG was not.

Same thing in Laos, I don't think the USG was giving any funding to Laos.

In light of the USG's stipulation of where INGOs can and cannot operate using USG funding for instance may pose challenges on INGOs' credibility. In addition, these rules, and regulations confine also INGOs' scope of work by establishing what INGOs can and cannot do. These funding restrictions therefore constrain INGOs' operations, innovation, and to some extent, the effectiveness of their programming by diminishing INGOs' responsiveness.

Notice that these conditions are attached to USG federal funding in general, the tool of choice simply appends additional ex ante and ex post controls, over and above these policy conditions. Recognizing the influence restrictive funding tools may have on BETA's operational autonomy, BETA's Director of Humanitarian Assistance pointed out that what INGOs do and do not do is spelt out exactly in the funding tools. The a priori set parameters therefore compel INGOs to deliver immediate relief in accordance with the stipulations of agreements. The director pointed out that,

emergent issues and needs cannot be met within the confines of those very closed projects....we lose the opportunity and perhaps the appropriateness of the intervention by not being as timely as we would want.

This suggests that by imposing contractual conditions or parameters, USG funding tools impose limitations upon INGOs' activities by confining their scope of work and program operations, thus oppressing INGOs' innovation, flexibility and responsiveness. As a result, USG funding appears to be restrictive in light of the presence of explicit conditionalities attached to it, and the degree of specificity and narrowness of the scope of the funding tools.

6.2.3 Direct Funding Tools

Hypothesis 7: Greater dependence on highly *direct* funding instruments is likely to result in lower levels of INGO autonomy

Evidence from the interview data and funding tools supports this hypothesis in that government agencies do get involved in the implementation process of INGOs' funded programs. For instance, 3 out of 7 participants with USG funding experience found USG funding to be highly direct, especially with contracts, and through the substantial involvement associated with cooperative agreements. The direct involvement and influence is also accomplished through ex ante and ex post controls by requiring INGOs to submit detailed implementation plans and workplans for approval, as well as, field audits, and direct program monitoring as illustrated in Table 14 (in Chapter 5).

Also noted earlier, government directly influences INGOs decisions through the specificity engraved in contracts. Government therefore controls and provides direction as to exactly how INGOs are to implement the funded programs, including the provision of technical direction by the Cognizant Technical Officer (CTO) or Contracting Officer of the funding source (e.g., resolving logistical problems or performing technical inspection where changes would affect the scope of the funded work). And because contracts spell out that INGOs are implementing USG programs and would be subject to the direct instruction and control of the funding government, this suggests the likelihood of SIGMA losing its autonomy through this direct influence. Aside from occasional field visits, and the direct ongoing monitoring, the direction and controlling at times is actually done remotely, through the ex ante, and ex post rules and requirements.

As BETA's VP of Global Support elucidated, unlike cooperative agreements, contracts are almost like business documents, where everything is precisely set out leaving very little latitude in terms of how INGOs can influence their contents. In contrast, cooperative agreements are "much looser," as a result; INGOs have a better chance of influencing what goes into agreements, as well as modify them if needed.

This research has also indicated that, unless implementation and workplans are approved by the USG, program implementation will not take place, suggesting strong influence, control and direction on the part of government. INGOs are thus bound by these agreements such that they are required to implement the funded program in accordance with approved detailed implementation and workplans. Additional approval is required prior to the incorporation of any amendments or deviations to the implementation plans even if there is no cost associated with the deviations (Section 226.25 (b) of the Code of Federal Regulations). The requirement for prior approvals for changes is illustrated in the following statement by BETA's VP of Global Support. This view was also shared by ALPHA's Program Director, Director of Government Grants and Compliance, and the VP of International Programs; BETA's Director of Competitive Bids and the SIGMA's CEO and Program Coordinator.

With the cooperative agreement(s) or grant(s), you can go back to them and say, well, we didn't actually do it this way, we had to do it this way – if you have a good reason and particularly if you let them know ahead of time and not afterwards, they are ok with that.

And also noted in preceding discussions, when a program is funded through a cooperative agreement, the USAID reserve the right to be substantially involved in identified elements of an INGO's program, that is "during the performance of the award"

(USAID's ADS Chapter 303; Cooperative Agreement from BETA) Substantial involvement entails the USAID's direct involvement in the approval of BETA's implementation plans and key personnel – that is, “only those positions that are essential to the successful implementation of the award.

Under the substantial involvement and participation proviso, the USAID would also approve an INGO's decisions to collaborate, should the INGO decide to jointly implement the award with another agency. The USAID approves this decision only “when satisfied that there is sufficient reason” for collaboration. In addition, should a collaborative effort form an advisory committee, the USAID may also participate as a member of such a committee, especially since advisory committees of this nature “must only deal with technical or programmatic issues and not routine administrative matters” (USAID's ADS Chapter 303). Clearly, cooperative agreements do undermine INGOs' operational autonomy.

And also pointed out in earlier discussions, while INGOs can make changes to their program implementation plans and budgets with the approval of the USG funding agency, the arrangement poses potential operational delays in program implementation as INGOs await government's decision.

You can make a change but you have to request an amendment and that can be quite lengthy, I mean, there are very often changes, for instance, we sell USDA commodities overseas and particularly in Africa, we very often get more money than we originally proposed. And if you get more money, you have to have an amendment approved, which will allow you to spend the money where you desire to put it. So yes, and the amendments can take 6 months, sometimes longer; they are very, very slow, with the USDA, very slow. (SIGMA's Program Coordinator)

This arrangement also suggests the existence of red tape, which can be regarded as a type of ex ante control on INGOs' decision making. As a result, such ex ante and mid-course approvals seem to be put in place as checks to ensure INGO compliance.

In summary, those familiar with cooperative agreements and grants from all three INGOs agree that these tools essentially operate the same way, with the exception of the substantial involvement of the USG in INGOs' decision making process through ex ante and mid-course approvals of INGOs' implementation plans, workplans, monitoring, and evaluation plans, as well as their key personnel. Therefore, as a way of steering, directing and controlling INGOs' decisions and activities, the USG approves these plans prior to implementation within cooperative agreements, and to a very limited extent with grants.

And since substantial government involvement is not anticipated in grant agreements, government would prefer to transfer funds through far less coercive instruments, especially in situations where the objectives of government strongly overlap with the existing programs or objectives of the implementing partners (Shaikh and Casablanca 2008), suggesting less control and more operational autonomy to INGOs. Such an approach indicates that government is strategic in its tool choice. This also explains why the USG can unilaterally opt not to finance INGOs activities through grants, and channel funding through cooperative agreements and contracts instead. By so doing, government retains more control over INGOs' decisions and activities while allowing itself sufficient room to make its preferences, interests and priorities known, especially within contracts and cooperative agreements.

Based on the preceding discussions, the sentiments attached to the liberty and freedom that unrestricted funding provides to INGOs cannot be understated. The findings

suggest that compared to other funding tools, unrestricted funding is without too many restrictions, rules, direction and control; therefore it culminates into more autonomy to INGOs, across all autonomy dimensions. A fundamental practical task INGOs may need to undertake therefore is to assess and evaluate the degree to which the funding tools differentially impact their autonomy dimensions. By so doing, INGOs empower themselves to make informed decisions about the types of INGO-government relationships to engage in, that is, those exchange relationships that might maximize their autonomy.

CHAPTER 7

STRATEGIES FOR AUTONOMY RETENTION

7.1 Introduction

The second research question addressed in this research is concerned with the strategies INGOs employ to militate against adverse autonomy loss. This study implicitly assumes that INGOs are losing their autonomy as a result of the conditions embedded in the exchange relationships they enter into with different funding sources. Since this research did not posit any hypotheses with respect to this research question, the findings presented below were inductively generated from the pooled data analysis conducted. Therefore the findings in this section represent common themes emerging from all three INGOs recruited for this study. Table 8 (shown in Chapter 4) shows the counts related to these common themes.

7.2 Autonomy Retention: Some Practical Considerations

When asked if autonomy was a concern for their organizations, a significant number of the participants (5 out of 9 participants) reported that it autonomy loss was certainly not a concern to the organization. The following statements highlight some of these views.

No absolutely not. We are not dependent on any one funder. We are influenced in terms of program decisions by any one funder – by direction, or strategy.... We pick things that fit our programming; we don't organize the work of ALPHA around any one funder. (ALPHA's Board Chair)

Well, nobody is trying to takes us over, I mean, we just follow the rules and regulations, I mean when you go into an agreement with the USG, you have to agree to do it the way they want it done, as far as the projects, the

staff and everything else, but we are an independent organization... a lot of INGOs... are all independent, they all do their own thing and none of them do it exactly the same. No, we have no problem with autonomy. (SIGMA's Program Coordinator)

These statements however illuminate a paradox that exists in the relationship between funding and INGOs' autonomy. While INGOs are able to choose the funded relationships to enter into, this does not necessarily purge the constraints and controls inherent in those exchanges, nor does it reduce the likely impact such constraints have on INGOs' decision making competencies pertaining to budgets, aid recipients, outputs and program implementation. As BETA's Competitive Bids Director pointed out,

An organization is always going to face some loss of autonomy when getting funding from donors, and so it is a matter of managing that risk.

When asked to talk about some of the measures they were taking to retain their autonomy however, participants including the 5 noted above indicated the following strategies articulated below. These strategies range from revenue diversification to INGOs simply choosing to walk away from particular funding sources in order to re-establish their autonomy. This section of the report therefore outlines some practical considerations INGOs can employ to shield their organizations from too much influence and direction from funders.

7.2.1 Revenue Diversification

Table 8 (in Chapter 4) shows that 13 out of 19 participants (6 participants from ALPHA; 5 from BETA and 2 from SIGMA), identified revenue diversification as an effective strategy for autonomy retention. This suggests that there is a general consensus

among all three cases that revenue diversification helps minimize INGOs' external dependence and control by any one funder. It was also clear from this analysis that all three INGOs were very much aware that their revenue streams are highly concentrated. Based on a calculation of the revenue concentration indices, BETA's funding streams are the least concentrated, with a revenue concentration index of .272 compared to SIGMA's .494. Perhaps BETA is one INGO that is showing success in its plans to minimize its external dependence on USG funding given the degree to which the organization has cut back on its dependence on USG funding as shown in the following statements.

We have actually been trying to diversify away from the USG funding for past probably 7 years.... because we felt it was too large, we didn't have a diversified portfolio and for risk management, it just seemed not to be the wisest thing to do. So we have reached out to US professional foundations, like Lorner Downen and Leasten foundations and we have reached out to other sources of revenue – just private individual fundraising and we are going to look to continue to do that, to continue to expand sources of funding other than the USG. (BETA's Competitive Bids Director)

If you look at BETA's dependence on USG over the year, it is down from 70 percent to about 45 percent nowadays. So we realized that to some extent we needed to diversify our portfolio of funding; that is a fact. In order to achieve our mission and vision we needed to diversify our funding, not because the donor influenced what we did so much, but the fact that there were restricted projects that didn't allow us to achieve the full potential of our programs. (BETA's Director of Humanitarian Assistance)

While the USG remains BETA's largest single donor, its decline is an indication of steady progress towards the goal of diversifying the INGO's funding sources. (BETA's Current Strategic Plan)

These indicators suggest that the more diverse an INGO's funding portfolio is, the greater the likelihood that the INGO will have the capacity and freedom to fulfill its total mission. This is attributed to an INGO's ability to make holistic policy or operational decisions. The statement made by BETA's Director of Humanitarian Assistance

highlights the limitations funding tools can have on INGOs' programming decisions by essentially restricting the scope within which funding is to be utilized. For instance, a grant or funding agreement spells out the INGO's scope of work to the extent that it prevent the organization from doing anything else other than that which is spelt out in the agreement. As a result, INGOs lose windows of opportunity to respond to emergent needs, which in turn weakens the appropriateness of their interventions due to a lack of timeliness on the part of the INGOs.

In view of this observation, revenue diversification is therefore regarded as a remedy for the program theory or ideological differences that may exist between donors and grantees. The findings suggest that such differences undermine INGOs' operational autonomy. For example, given the restrictions imposed by the Anti-Prostitution Clause associated with HIV/AIDS USG funding, INGOs have had to soliciting funding from sources that are not opposed to the work they do among the at-risk population of prostitutes, thus allowing them the liberty to implement program strategies that they believe in, as shown in the following statement.

We have some different point of views particularly in the best ways to prevent HIV/AIDS. And so it is important for us to have other funding sources and that the USG not have a dominant role in our funding, so that we can also do things that perhaps may be the administration doesn't favor but we would be allowed to do with other funding sources... (With) the USG requiring us to (have) any partners that we use sign that (they) didn't support prostitution; certainly BETA does not promote prostitution but we recognize that that is an important group that we must work with in order to curb HIV/AIDS. And so while on the one hand, the USG provided funds for a lot of our HVI/AIDS programming, we had to stand on the principle to say, you know, we still must work – so that's another place where private funding comes in. (BETA's Secretary of the Board)

And in the words of the ALPHA's Board Chair,

We believe it is healthier to have a diversified base of funding.

While commenting on the importance of individual contributions, ALPHA's CEO announced the INGO's plans for reducing its high dependence on individual contributions through revenue diversification. Note that based on a calculation of the revenue concentration index, ALPHA's revenue streams are the least diversified, with a revenue concentration index of .853. ALPHA has thus taken steps to diversify its revenue streams by hiring a Foundations Expert to engage the foundations grantmaking community. At the time of the interviews, the foundations expert had only been with ALPHA for three weeks.

We are deliberately diversifying our resources; our core resource base is ordinary Americans through sponsorship, which means we have a constituency within the U.S. and then we are looking at government, we are looking major gifts, corporations and foundations. (ALPHA's CEO)

ALPHA also expressed a desire to increase its share of USG funding, but only to a "reasonable" level in order to preserve its autonomy. While the INGO would prefer not to have more than 50 percent of its total revenue coming from USG, according to ALPHA's CFO, the INGO "would still like to have at least 50 percent coming from individuals" thus continuing to capitalize on the high level of autonomy unrestricted funding provides. The CFO elaborates on this in the following statement.

We may have become too dependent on individuals (especially) when you get into an economy like we are in now.... So we have for FY2008 which we are just getting audited now, I would say probably 65 percent of our total revenue is coming from individuals (compared to about 90 percent in FY2006).

Given its confederated structure, ALPHA could be considered highly diversified at the international or country office (CO) level since each CO receives funding from all 16 of ALPHA's National Offices around the globe. These national offices solicit funding from a varied pool of funding sources across the globe.

Perhaps the efficacy of revenue diversification in granting INGOs with significant operational autonomy is exemplified more clearly in ineligible countries where INGOs are not allowed to use USG funding. ALPHA's CEO like BETA's Competitive Bids Director and the Director of Humanitarian recounted a situation where USG funding could not be used in response to the cyclone that occurred in Myanmar in 2008, as well as, a natural disaster in Laos. According to these participants, INGOs could not use USG funding to respond to the disaster due to the "absence of democratic governance" in the country. As a result, the INGOs could only use funding from sources that were not opposed to responding in these countries. As such, how diversified INGOs' revenue streams are can be a saving grace for the organizations by way of providing alternative funding sources that allow them to exercise their cherished values of impartiality, neutrality and independence.

7.2.2 Due Diligence

The preceding chapters have established that a loss in INGOs' operational autonomy is largely achieved through ex ante and ex post controls funding sources impose on their INGO grantees; controls which constrain the actual use of the decision making competencies an organization actually possesses (Verhoest, Peters et al. 2004). This suggests that, while an INGO may possess some operational autonomy over how a

program is implemented, in actuality, that autonomy is undermined by the extent to which the organization is controlled by the results of the implemented programs, that is, by the burden of reporting. More and more, INGOs find themselves making decisions that take into consideration the expectations and missions of their funding partners, especially if they are going to be required to report on them. This research finds that 8 out of the 19 participants interviewed, highlighted a need for INGOs to know what each funding source is about and the expectations associated with them – a process they called due diligence. Out of these 8 participants, 4 participants were from BETA and 3 from ALPHA (shown in Table 8, in Chapter 4).

In light of the fact that the portrait of nonprofit financing has been shifting over the years, some INGOs lament over the good old days where funders approached them with handouts, literally begging INGOs to take their money and do something good with it, in pursuit of INGO missions. The following statement by BETA's Director of Food Programs illustrates recognition of this shift.

The budget levels have been reduced over the years. I mean, I started with BETA in 1991 and there was a period where Food for Peace would say, 'oh please we would give you money, please take this money, take more,' but that's all changed since the late 1990s – 2000s, because the budget levels are just dramatically low.

Today, in light of the inherent ex ante rules and regulations, funding conditions, and ex post requirements, the funding environment demands that INGOs do their due diligence by conducting rigorous researches of their donors. INGO participants strongly recommend that INGOs ensure that they learn everything they need to know about their funders, especially with respect to the spending rules and regulations, monitoring and

evaluation reporting requirements. Rules and regulations therefore influence the types of decisions INGOs make and the actions they take, thus constraining their autonomy.

In the case of USG funding, there is also a need to stay abreast of federal spending regulations, and policies since these are subject to change. Learning one's funding environment in an attempt to understand the nature and implications of the "strings" attached to funding, as well as the reporting and other requirements and their impact on the different dimensions of INGO decisions has thus become vital. This is also crucial given that failure to abide by the budget and evaluation rules and regulations could lead to a suspension of an INGO or a complete loss of funding support. Speaking on the necessity of paying close attention to technicalities of the rules and regulations, ALPHA's CFO pointed out the following.

There is a lot of technical things that some people prefer not to pay attention to, as a result, our compliance people are the ones that are paid to pay attention to that stuff, and that's why part of the perception is that there is red tape and that's why some of the countries don't want to work with USG money. It could be from the ignorance of the rules.... (Why) would we want to take on that burden when we can get money from some other government who doesn't have as much red tape? But the government does have so many strict rules and regulations that they are asking auditors to audit (us) against

Ignorance of funding rules and regulations is not necessarily bliss when it comes to USG funding. ALPHA's VP of International Program explains why it pays to pay due diligence to each RFA or RFP before and during responding to one in the following statement.

The more restrictions and requirements, the less interested we become. We will take contracts, and but we watch and look at those contracts and the specifications in them very carefully and we have turned down and we will turn down contracts.... that are either ill-defined in terms of the actions that you are going to bring forward or it states that the USG

official.... will tell you what to do with these monies. We usually say, no, thanks, but no thanks on those because they are defined in a way that we are not comfortable with to move forward.

As noted earlier, BETA and ALPHA have also responded to the need for due diligence by setting up formal Grants and Compliance Units whose primary function is to comb through grants and contracts to ensure that their organizations enter into financial arrangements with the full understanding of the roles they are expected to play. These units are also designed to ensure that INGOs are in full compliance with USG funding rules and regulations, that is, during the application process, the implementation phase and after the implementation phase. As suggested in this research, while rules and regulations inhibit INGOs from taking actions that funders deem undesirable, they can also hinder desirable actions on the part of INGOs. Reminiscing on having been suspended for a year, the following statement by SIGMA's CEO illustrates the need for due diligence on the part of INGOs.

That's why we pay a lawyer more and more. We have a lawyer that is looking at all these contracts now... the onsite lawyer does most of that.

7.2.3 Goal Congruence and Fit

There is also strong recognition of the need for due diligence among INGOs especially to ensure strong goal congruence of the funders' and those of the INGOs. Table 8 shows that 15 participants talked about this strategy, with the majority of the participants coming from ALPHA (N=8). Shaikh and Casablanca (2008) observed that, the closer one ties development assistance to U.S. foreign policy, the more desirable it becomes for the USG to establish or retain control over how the money is spent. It is

therefore incumbent upon INGOs to be cognizant of the funding environments they find themselves in and the implications therein. Failure to consciously and strategically seek after goal congruence and fit is likely to result in INGOs implementing funders' projects, thus positioning INGOs as mere appendages of their funding partners.

A statement by BETA's Director of Humanitarian Assistance draws our attention to not only the proactive exercise of due diligence, but also to the need for an INGO to have clarity, with each funding opportunity, about what it is the INGO is trying to achieve. This allows the INGO to verify the congruency and fit of funding opportunities with its own priorities and overall mission. This strategy calls for a process where INGOs are brutally honest with themselves in their assessments of whether each funding opportunity is aligned with their strategic intent and overall mission.

We have been a little bit more proactive in understanding what the regulations are; in going out to trainings... We have clear strategies, again, I think that the main thing is whether we have a clear understanding of what we want to achieve and if, through any of those three mechanisms (grants, cooperative agreements and contracts), we will be able to achieve those strategic goals in terms of emergency, in food security, (and in other units) we have clarity on what we want to achieve.... (We are at) least strict on our part because we want to achieve certain things and not be destructed by implementing objectives that donors would like to meet, that have no bearing on what BETA would like to do. So at least I think that we are being a lot more thoughtful on that. I think that other units.... and operations are doing the same thing. So across the board, I think that BETA is a lot more conscious of meeting its mandate. (BETA's Director of Humanitarian Assistance)

And reflecting on a recent decision that led to the organization turning down some USG funding, BETA's Food Programs Director raised some critical questions;

The difference is we made a decision on how we were going to use their resource or not and that was our decision. Ultimately, it sort of came down to "What is an INGO looking at in terms of looking for resource support from any donor? Are you looking for resource support to basically fill

your cash pipelines and even though it may not be optimally what you would like to do? I'm still going to do it because I need the cash to run my program? Or if the organization says we are going to program this way, and you know, if some of that resource support doesn't match the way we would like to program – you say ok, thank you, but we can't do this anymore?

The strategy of verifying the goal congruence and fit for every funding opportunity demands that as INGOs evaluate the funders' goals against their own, that they also evaluate their own capacity to meet the funders' requirements and expectations. The following statement by ALPHA's VP of International Programs illustrates how the INGO utilizes both due diligence and the goal congruence checks as strategies for maximizing their operational autonomy;

Clearly ALPHA has its own vision of what and how development should move forward and we are strident and arduous in protecting that vision. (There are checks and balances) to ensure that, number one, we don't take money (just) because it is available from a contract or grant.... We have the management checks and balances as any organization, when very large grants are put in place; they have to be signed by CEO of ALPHA (at the International level).... The larger the grant, the more scrutiny it receives. And we develop strategic plans within our COs with the specific purposes that we are not going to do knee-jerk reactions to funding opportunities; we will base our development strategies on what people (COs) tell us are their primary needs and what we believe we are most capable of delivering.... So there is everything – from policies and practices to management of those systems – all are there to ensure that the wants and needs are those communities we serve are well met.

As pointed out in the literature, the presence or absence of goal or project overlap with those of INGOs' may determine the funding tool government employs. And given that grants are specifically designed for situations where substantial government involvement is not anticipated; it would make good sense to issue grants "when a public purpose strongly coincides with a grantee's existing program or objectives" (Shaikh and

Casablanca 2008). This suggests that, in as much as tool choice decisions are strategically made by government, INGOs should equally enter into contractual and grants agreements with similar prudence and savoir-faire.

7.2.4 INGO Collaborations and Partnerships

As indicated above, autonomy maximization can be achieved through INGOs' ability to conduct honest assessments of their own capacity and expertise before embarking on a quest for funding. Such self-evaluation may lead INGOs to consider taking on a different role within funding arrangements, such as, subcontracting with a larger INGO or forming a consortium with peer-INGOs that possess complementary comparative advantages. For example, an INGO could maximize its operational autonomy by subcontracting with a prime that is, another larger INGO that is in a direct contract relationship with the USG. Within this type of arrangement, an INGO would assume a much smaller role within the larger contract and would thus be accountable to the prime and not directly to the USG.

However, while this increases the distance between an INGO and USG, the USG still reserves the right to approve the prime's choice of subcontractors, including the subgrantees' key personnel and implementations plan, though not directly. Unfortunately, the subcontractor remains subject to whatever conditions may be embedded in the contract or in USG funding. Perhaps the silver lining here is that, subcontracting increases the distance between the INGO and government. The following statement by BETA's Humanitarian Assistance Director illustrates this reservation and its impact on BETA's operational autonomy.

Indefinite Quantity Contracts are a mechanism where we have not seen a lot of benefit from because again, it's a prime that is actually controlling how you access task quotas and whether BETA is aggressive enough in designing those task quotas at the country level goes a long way to determine whether we will get involved in that task quota or not. So, to me, it also doesn't play well to our strengths. Grants – we understand them better, we feel a lot more comfortable with them.

From a financial autonomy perspective however, ALPHA's VP of International Programs regards such partnerships as funding opportunities that can boost the financial viability of an INGO.

We also build strong relationships with... peer organizations within the US so that we are seen as a good partner and as technically capable of delivering the services that we bring forward. So we want good partners in technical fields and would be a contractual partner who may win a large proposal.... It is a large contractual organization that does health projects and it's really good, so they will often be the winner of a prime and we seek to be their partner (as a sub-contractor).

Perhaps a more effective strategy for autonomy retention for an INGO is to enter into funding exchanges with the USG, but within the collaborative confines of a consortium. This strategy has the potential of changing the dynamics of the funding relationship in that, an INGO responds to an RFA or RFP as part of a consortium of INGOs with complementary comparative advantages, thus taking advantage of the concept of "power in numbers." In a sense, this allows the INGO to seek after funding within the folds and perhaps, security and bargaining power of the group, thus improving its operational autonomy.

While being a part of consortia may improve the operational autonomy and financial viability of INGOs, it also allows INGOs to share the risk associated with increased accountability demands. However, a secondary autonomy loss may occur in

that, the INGOs would have to resign some of their own autonomy to the members of the consortium. Speaking on the efficacy of this strategy, ALPHA Program Directors stated;

First of all, there is a realization that no one can do it all. And we also realized that to be strong, we need to work together – we need to complement each other. In a given country, we usually have geographic complementarity, sometimes we have technical expertise complementarity – we have different things we bring together, so when there is an opportunity like this, we try to seek like-minded orgs which can work together....

(For instance we are in a consortium with BETA). We know they have the expertise of education in the country – they are recognized for that and BETA has expertise in the country and geographically, we are in different areas and this program is covering certain regions, we made sure of that in forming this consortium. We are (therefore) representing the region in which we will have a presence in the place; we are already operating there so that we can demonstrate to the donor that we know what we are talking about.... Often we take money only for the area where we are already present, in a way when the donor money ends, we can continue supporting that community; so that's another way we shield ourselves from the influence of the donor (trying to influence) how we implement our programs.

This statement also speaks to a couple of things, one being the operational autonomy that comes out of a consortium since each INGO operates as the expert in a particular field of expertise. It also speaks to the power a consortium may be able to acquire in preserving or even increasing INGOs' operational autonomy by using the geographical presence of its members, to not only demonstrate the consortium's presence in a region of interest to the donor, but also to demonstrate the INGOs' operational experience in a geographical region. Such demonstration of experience and expertise may translate into donors giving INGOs a free hand in the development, design and implementation of funded programs with little influence from the funders. In other words, having experience and unique expertise can be utilized as a bargaining chip with

government or any funder, in order to negotiate favorable contractual conditions for the group, thus maximizing INGOs' autonomy. As BETA's Competitive Bids Director highlighted,

Having an area of unique expertise could help shield an organization from needing to bend to its donor's whims.

At the same time, INGOs get to work with peers that share similar values.

7.2.5 Contract Negotiation: The Art of Pushing the Envelope

Another practical consideration at INGOs' disposal could be described as "the art of pushing the envelope," that is, the art of contract negotiation. This strategy has the potential of allowing INGOs to make inroads in fulfilling their missions in full. Evident from the interview data, is that, there is room for negotiation between INGOs and the USG (as well as other funding sources), thus improving INGOs' autonomy. As noted by BETA's Competitive Bids Director, her unit helps country offices negotiate proposals with the USG. Negotiations thus hold potential for maximizing INGOs' operational autonomy given some donors' willingness to enter into dialogues with INGOs.

As a donor (Department of State), they tend to be a tiny bit more flexible in some respects, and less flexible in others. They are more flexible in the process because they will talk to us throughout the process. So when they issue a call for proposals, they actually encourage you to talk to them. So after they have issued their call for proposals, you can call them up with your idea and they will say, yes that sounds good, or no, that doesn't sound good and if they don't like what you are proposing, they will tell you what they think they would like you to do; that's actually very refreshing. But the USAID does not operate that way at all! USAID is much more formal; so once they issue a proposal, the process of asking questions and answering those questions is very formal. They will give you a deadline, you have to submit in writing, they publish all the answers; they will not talk to anyone outside of that framework.

The efficacy of such an approach however, rests in INGOs' cognizance of their individual comparative advantage and uniqueness. Funders do not have the operational capacity to implement their own programs, which is why they need INGOs as implementing partners. Pushing the envelope however, involves investing in negotiation and collaborative skills on the part of INGOs, as well as understanding the nature of the symbiotic relationship between INGOs and funders, especially if the INGOs have clear comparative advantages in some particular area. Such an approach can counteract the power and resource asymmetry between INGOs and funding sources. The following statement by the Director of Food Programs at BETA illustrates this point.

With Title II Programs... like any grantee, you can try and push the envelope a bit, but at some point, you can't go over the line. So I wouldn't call it necessarily autonomy as much as flexibility and I think we have had a fair amount of flexibility as programs have been evolving.

7.2.6 INGO Advocacy

Yet another proactive strategy INGOs could use to retain their autonomy lies in the INGOs' advocacy role that is, when an INGO joins other INGOs in advocating for effective ways to provide aid and development assistance. This strategy includes simply challenging those funding arrangements (e.g., monetization and funding conditionalities) that undermine INGOs' autonomy and the effectiveness of their work, preferably, within the folds of workgroups such as InterAction's Humanitarian Policy and Practice Committee and USAID's Advisory Committee on Voluntary Foreign Aid (ACVFA)⁷.

⁷ According to the USAID website, The Advisory Committee on Voluntary Foreign Aid (ACVFA) was established as part of a post-WWII Presidential directive to serve as a link between the USG and the

Such workgroups provide INGOs with a safe medium to influence government's relief and development-related policies. As BETA's Competitive Bids Director elaborated,

There are different stakeholder-working groups, USAID has something called the Advisory Committee on Voluntary Foreign Assistance and they have 5 different working groups and some of those provide feedback on the type of issues that implementing partners encounter including the regulatory environment. In addition, USAID has an outreach, what they call Partners' Day that they offer to key implementing partner representatives and that happens every 6 sometimes every 3 months, but usually every 6 months. And at that point the partners and USAID – USAID talks about their challenges and some of their major new initiatives and we provide feedback on any issues that we see or any things that we would like to request. And there is usually some positive outcomes from that. In addition, there is a formal process that's managed by the US OMB – Office of Management and Budgeting for the regulatory environment. So when USAID wants to propose a major new rule, they usually have to publish it in the Federal Register and there is a formal period of comment and so that process also allows for feedback.

INGOs therefore have several avenues to voice their concerns, as well as influence USG's policy decisions pertaining to relief assistance and development. It is important to recognize a dilemma associated with this strategy, as highlighted in the following statement from BETA's Secretary of the Board.

On the one hand, you are fighting them over some policies and principles; (on the other), you are also receiving funding from them.

7.2.7 “Walk Away”

And finally and perhaps a highly potent strategy for INGOs' autonomy retention is to simply walk away from funding sources that weaken one's autonomy as CARE,

humanitarian assistance and development private voluntary organizations (PVOs). The Advisory Committee is mandated with the task of consulting with, providing information to, and advising the USAID and other USG agencies on development issues related to foreign assistance, inter alias.

Counterpart International and OXFAM have done. Of the 19 participants interviewed for this study, only 9 participants identified this as a strategy that INGOs could take.

According to BETA's Secretary of the Board,

We have had explicit discussions about... the importance for BETA to maintain its independence and be willing to walk away from funding if that's necessarily and we have walked away from funding when you know, something with the USG would have wanted us to do was not in line with our values and principles. So an explicit strategy, certainly the board will encourage us and support us in holding aligned against any funder and we are not afraid to walk away from that funding if we need to.

However, in order for an INGO to undertake such a decision, it is imperative that alternative funding sources be identified and secured.

This chapter has therefore articulated some of the strategies INGOs are currently employing or intend to exploit in order to shield their organizations from autonomy loss or at least minimize the risk of autonomy loss. The strategies however seem to be geared toward the preservation of financial and operational autonomy to the exclusion of managerial autonomy with respect to both financial and human resource management. This confirms that the concept of autonomy has been regarded in a myopic, one-dimensional fashion not only by researchers, but also by the nonprofit community. As a result, there is a clear need for INGOs to recognize the multi-faceted nature of autonomy and develop strategies to minimize the loss of each.

CHAPTER 8

DISCUSSION AND CONCLUSIONS

8.1 Introduction

Organizational autonomy is a complex concept, a complexity that is confounded by the multi-faceted nature of the concept. In the context of this research, the complexity of the concept of organizational autonomy is further complicated by the nature of INGO funding. INGOs not only have multiple funding sources, they are also funded through different funding tools, all of which constitute unique funding environments for INGOs. As a result, approaching this analysis from resource dependence and tool choice perspectives provide insight into the nature of the funding environment INGOs operate in. The findings from this study indicate that different funding sources and mechanisms influence INGOs' actual decision making competencies in variant degrees. This influence and control is largely limited to the donor-funded programs.

However, INGOs also have various opportunities to make “autonomous” decisions, albeit, in “consultation” with the USG funding agencies. This chapter therefore summarizes and discusses the main findings emanating from this research. The chapter then concludes with a discussion of the implications for policy, practice and research.

8.2 Summary of the Main Findings

The complexity of the concept of organizational autonomy has been completely overshadowed by INGOs' one-dimensional reference and approach to autonomy. For the most part, organizational autonomy has been referred to in terms of independence,

flexibility or being donor-driven. This research concludes that this concept is indeed multi-dimensional and it is crucial that both INGOs and nonprofit scholars view and treat it as such.

Table 15 summarizes the findings in this report by illustrating the impact different funding sources and mechanisms are perceived to have on INGOs' autonomy dimensions. The construction of this cross-tabulation was largely informed by an analysis of the data, based on participants' experiences. In a sense, the table demonstrates the overall impact of funding, based on a cross-case summary of the key findings. Examples of statements instrumental in the construction this table (as well as Figures 6 and 7 presented in Chapter 5 and 6), are shown in Appendix 4.

Table 15: Perceived INGO Autonomy, by Funding Source & Tool Choice

FUNDING SOURCE OR MECHANISM	AUTONOMY DIMENSIONS		
	Managerial (HRM) (FM)		Operational
GOVERNMENT (USG)	Low	Very Low	Low-to-Medium
FUNDING MECHANISMS			
Contracts	Very Low	Very Low	Very Low
Grants	Medium	Low	Medium-to-High
Cooperative Agreements	Low	Low	Low-to-Medium
CORPORATIONS	None	Medium	High
FOUNDATIONS			
Newer and Larger	None	Very Low	Medium
Older and Larger	None	Medium	Medium-to-High

Overall, the findings from this research indicate that different funding sources and tools influence INGOs' autonomy dimensions in varying degrees. Government funding in general, yield very low managerial autonomy with respect to financial management, suggesting high control on INGOs' decisions pertaining to resource allocation and use. Table 15 also demonstrates that newer larger foundations and to a lesser extent, corporate

funders, demonstrate similar patterns. Therefore, due to the ex ante and ex post controls different funders employ, as well as the different USG funding tools, INGOs are mostly likely to retain varying levels of operational and managerial autonomy.

However, these findings need to be interpreted in context – that funder or donor influence and control are largely limited to the funded programs. Therefore, the donor-INGO autonomy discourse presented in this research needs to be referenced in the context of the funded programs and not the organization as whole, unless an INGO is 100 percent funded by a particular as is almost the case with SIGMA.

The key findings from this research are as follows:

- Government funding is associated with much lower levels of autonomy for INGOs, more so than foundation grants and corporate funding, and this is with respect to INGOs’ operational autonomy and managerial autonomy with respect to financial and human resources management.

As a result, a high dependence on USG funding – as in the case of SIGMA; has the likelihood of yielding low operational autonomy, as well as some measure of managerial autonomy with respect to human resources management. This is in contrast to an INGO like ALPHA whose dependence on USG funding is low. This loss in autonomy is likely to occur through various ex ante rules and regulations and the performance-based controls codified in the Code of Federal Regulations.

For instance, as expressed in Section 266.25 of the Code of Federal Regulations, INGOs “are required to report deviations from budget and program plans, and request prior approval for budget and program plan revisions.” Such rules and regulations have the power to constrain INGOs’ capacity to make independent decisions about funded

programs, by controlling and directing INGOs' decisions and actions. As a result, attaching rules, regulations and conditions to funding, establish the confines in which INGOs' decision making takes place.

And consistent with Kerlin (2002a), INGOs encounter several factors that weaken their autonomy. These include the imposition of government's ideologies, direction, and control as conditions of funding (e.g., the Anti-Prostitution Pledge or Fly America Act) and government's pursuit of foreign policy agendas that are usually misaligned with the relief assistance and development agendas and values that INGOs carry.

- Larger newer foundations like the Google Foundation or the Melinda and Bill Gates Foundation appear to act like government by constraining INGOs' operational autonomy through rigid ex ante budget and performance controls. It is these controls that weaken INGOs' operational and managerial autonomy with respect to financial management, as INGOs seek donors' approval for their resource allocation and inputs use decisions

The above can also be attributed to the adoption of a venture capital model of philanthropy by newer foundations and corporations which treats philanthropy as some type of "investment" with an expected social rate of return (Brainerd 1999; Herman 2004; Grobman 2007). As such, foundations ask that INGOs follow strict budget rules, as well as show evidence of impact, something they share with corporate funders, though at a much greater impact compared to corporate funders.

- A third finding is that, all funding sources, i.e., government, foundations, and corporations, greatly influence and control INGOs through interventional

constraints or ex post controls. These are largely used to hold INGOs accountable for the promises they would have made during the contract negotiation phase.

This influence on INGOs is therefore accomplished through various levels of reporting requirements, and the monitoring, evaluation and audit provisions attached to funding. Reporting requirements and audit provisions are largely attributed to the increasing demand for INGO accountability by the donor community. However, the impact each of the funders' requirements may have on an INGO's behavior largely rests on the degree to which the funders' requirements are deemed onerous by INGOs, as well as the degree to which such requirements are attached to a threat of sanctions or some penalty system. With government funding for instance, an award to an INGO can be suspended or terminated for failure "to comply with the terms and conditions of an award" (Sections 226.60 – 226.62 of the Code of Federal Regulations).

Overall, participants expressed that USG funding is more arduous compared to corporate funding and foundations grants. And this is attributed to participants' experience with government's expanded reporting and audit obligations (e.g., the extensive A133 audit; direct monitoring and field audits where possible).

- Pertaining to government funding, this analysis finds that over and above the restrictive nature of USG funding in general, INGOs' autonomy also varies by funding mechanism or tool choice.

This is consistent with Salamon's (2002b) assertion that government's use of funding tools is strategic and political given the characteristics of each funding tool. As a result, this study finds that government's funding tools also confine and constrain INGOs' decisions and activities, by constricting the environments within which those

decisions are made and by stipulating the conditions under which the activities are implemented. As illustrated in Table 15, the findings suggest that in light of their coercive character, contracts constrain INGO's operational autonomy more than cooperative agreements and grants, respectively. Since contracts imply that INGOs are essentially implementing the USG's programs, they are subject to more government instruction and control and therefore do not only negatively impacting INGOs' operational autonomy, but also exhibit high interventional controls given the high degree of control, scrutiny and reporting obligations.

Consistent with Schneider and Ingram (1990) and Salamon (2002b) therefore, this analysis finds that funding tools signal strong messages to INGOs in terms of the type of relationships that will emerge from each instrument. In a contract relationship, an INGO is simply regarded as a "contractor" of government and thus enters into a very controlled relationship requiring specified outputs. On the other hand, a cooperative agreement, owing to the substantial government involvement is also quite controlled, given the USG's desire to be involved in all major decisions INGOs make. This translates into lower levels of operational and managerial autonomy with respect to human resources and financial management.

However, grants outside of a cooperative agreement yield more operational autonomy and managerial autonomy compared to contracts and cooperative agreements. Grants allow INGOs room to design and implement funded programs in a way they see fit, with limited involvement from the USG. Although implementation plans are submitted to the USG, there is no expectation to await government approvals (USAID's ADS 303).

However, the grant funding mechanism does not necessarily reduce the impact of government control of INGOs' resource allocation and use. Such tight control on how the provided resources are used has the power to diminish INGOs' operational autonomy and their managerial autonomy with respect to financial autonomy. This may be attributed to the observation that INGOs are expected to comply with the federal budget rules and regulations in spite of the funding tool utilized. In addition, grants do not necessarily provide INGOs with an escape from complying with the reporting requirements either, though the degree of enforcement may be milder, compared to cooperative agreements and contracts, given government's stake in these.

That being said, it is important to point out another crucial observation emerging from this research,

- INGOs have various opportunities to exercise their operational autonomy and managerial autonomy, especially with respect to financial management.

First of all, INGOs choose which government projects they want to engage in, based not only on the degree of goal alignment, but also based on their own assessments of their own capacity to respond to the rules, regulations and compliance requirements associated with each funding opportunity.

INGOs can also exercise their influence as they design programs in response to funding announcements, however specific they are. In other words, the actual specifics of a funded program, including the implementation plans, usually originate with the INGOs, especially with respect to cooperative agreements and grants. However, the USG provides INGOs with guidelines describing the program to be implemented and the

objectives that have to be focus of the designed program. In essence, INGOs make these “autonomous” decisions in “consultation” with the USG funding agencies.

A third avenue available to INGOs to exercise their influence is by suggesting deviations from the original plans mid-course. However, there is always the probability that the program designs and implementation plans, as well as the suggested deviations can be vetoed by the funding agencies by way of approving or rejecting them. As such, the requirement for prior approvals, highlight the degree to which USG in particular, has been referred to as a more exacting funding source. This suggests that INGOs operate in highly controlled environments. And such conditions can stifle INGOs’ innovation and flexibility, thus affecting the quality of their work and the timeliness of their responses.

Overall, the findings in this research suggest that, all funding sources i.e., government, corporations, and foundations, steer, direct, and control INGOs,

- by providing them with guidelines to guide their proposal designs,
- by regulating their resource allocation decisions and inputs use, and
- through ex post constraints such as reporting, evaluation requirements and audit provisions with respect to INGOs’ a priori set program decisions and outcomes.

Such controls compel INGOs to include the funders’ a priori set goals and norms and in some instances, as with government, adopt whole strategies altogether, resulting in limited operational autonomy. Again, donor influence only extends as far as the donor-funded programs.

Autonomy Retention Strategies

While it is clear that INGOs' autonomy is compromised in some way, this research illuminates some strategies INGOs have at their disposal to protect or at least minimize the risk of autonomy. These strategies include;

- *Revenue Diversification:* While participants from all three INGOs felt positive about the strategy's potential for improving the operational autonomy of INGOs, especially when they rely on less exacting funding sources; the findings suggest that the strategy is also likely to result in an increase in the extra-organizational control and influence of INGOs through interventional constraints emanating from multiple funding sources, who may ask for different things.
- *Due Diligence:* The findings also reveal a need for INGOs to do their due diligence in researching and learning about each grantor, their rules, regulations and monitoring and evaluation requirements and controls. This is critical given that INGOs are expected to comply with the different rules and regulations, as well as conditionalities attached to funding, mechanisms that can have powerful effect on INGOs' decisions and action, thus undermining their autonomy.
- *Assessments of INGOs' Capacity:* While appreciating that funding sources help improve INGOs' capacity to fulfill their missions, it is important for INGOs to assess their own internal capacities (e.g., financial systems, staff, expertise, and experience) to verify that they have the necessary competence and capacity to comply and fulfill the funders' expectations, rules and regulations.
- *Congruence and Fit:* It is also necessary for INGOs to assess and evaluate whether there is strong congruence and fit between their goals and objectives and

those of each funding opportunity. Failure to do so may result in INGOs implementing their funding sources' priorities and programs at the expense of their own.

- *INGOs' Collaborations and Partnerships:* The findings also show that seeking after funding opportunities within the protection and confines of partnerships and collaborations with other INGOs may improve the bargaining and negotiation power of INGOs, thereby shielding INGOs from high autonomy loss.

The findings also suggest that INGOs can always seek after less directed and controlled funding sources. And finally, INGOs can also choose to walk away from funding sources and tools that have a high propensity to weaken their autonomy across all dimensions. Overall, INGOs may need to seek solutions that help them retain some measure of distance between them and their funding sources.

8.3 Implications & Recommendations for Policy, Practice and Research

From a policy perspective, it is evident that INGOs' humanitarian mandate of neutrality, impartiality and independence exemplify the critical values INGOs continue to espouse. These values also stand to be lost as a result of a loss of INGOs' operational autonomy, especially when funding is too exacting or too restrictive in nature. From this analysis, we find that revenue diversification becomes critical to INGOs' operational autonomy, especially in cases where government prohibits INGOs to operate or respond in certain "ineligible countries" using USG funding, as exemplified by ALPHA and BETA's inability to utilize federal funds to response to the cyclone in Myanmar in 2008.

Other conditionalities include the anti-prostitution ideologies embedded in HIV/AIDS funds, some of which ran contrary to scientific evidence on condom use as a method for reducing HIV transmission. Such conditions simply tie the hands of INGOs by constraining their innovation and responsiveness – a situation that does nothing to inspire confidence in INGOs as experts at what they do.

In terms of policy implications, this study emphasizes the need for policymakers to appreciate the values, passions and views that we cherish about the third sector, especially, in order to help establish and maintain the sectors' uniqueness, role, function, and impact in the political economy. While government is an important source of funding for INGOs; that funding need not come at the cost of their independence, neutrality and impartiality and above, all, their flexibility, innovation and responsiveness. After all, it is these very qualities that attracted policymakers to INGOs in the first place (Nikolic and Koontz 2007). Therefore, while subsuming INGOs under the U.S. foreign policy objectives positions INGOs to produce services that meet government expectations; such a strategy occurs at the expense of INGOs' identity and credibility.

In light of INGOs' role as the official implementing partners of government, a decline in INGOs' autonomy, innovation and responsiveness also raises critical questions as to whether such a state would be in the best interest of the USG in the long-run. And while different funding tools, as well as the presence of ex ante and ex post controls are being utilized to increase INGO accountability, a choke-hold approach to accountability stands to further weaken INGOs' innovation and effectiveness overall.

At a practical level, especially, in light of the presence of rules and regulations attached to government funding, the significance of unrestricted funding to an INGO

cannot be understated. Clearly, INGOs cannot escape the high interventional controls associated with increased accountability demands. However, there is a financial cost associated with meeting the ex post requirements of INGO funders. As BETA's acting CFO observed with respect to government funding, "anybody is cheaper than government," given that "financial statements audits (such as the A133 Audit)... cost about a million dollars and that comes out of unrestricted dollars." This statement emphasizes the importance of generating unrestricted funding to maximize INGOs' autonomy by allowing them sufficient room to undertake activities that are near and dear to their missions, as well as finance activities restricted funding will not.

A positive externality emanating from the high ex post controls (accountability demands) associated with funding include the increased professionalization of INGOs. For instance, the A133 audit has helped INGOs improve their internal controls. 18 out of the 19 participants in this study viewed INGO professionalism as a direct result of the INGO interactions with USG funding, as well as other funding sources.

In addition, it is plausible that the high accountability demands donors have placed on INGOs have helped formalize INGOs' evaluation processes, especially when INGOs are required to adopt common indicators or measures of success. Such an approach will help establish some degree of consistency in establishing common measurable indicators of impact or effectiveness, thus improving the capacity to trace the effectiveness of INGOs' programs over time.

This research has also shown that, different funding sources impact INGOs' autonomy dimensions in varying degrees. This calls for a need for INGOs to be cognizant of the multi-dimensions nature of organizational autonomy. An understanding of this

would help INGOs consider which autonomy dimensions are vital to their organizations, as they ponder over which funding sources and funding tools to seek after and the impact each one has on the autonomy dimensions. In as much as, the USG is strategic in its tool choice based on the kinds of relationships it wants to have with INGOs, it is incumbent upon INGOs to become equally savvy and prudent in their approach to funding choices and contract negotiation.

From a research perspective, Kerlin (2002a) observed that the real impact of government funding on autonomy remains elusive. While this research does not provide a quantitative measure of impact, it does provide insights as to the degree to which government funding influences INGO autonomy, relative to other funding sources, by confirming the direction of the relationship and by suggesting the general magnitude of the impact. A utility of these continuums is that, they provide future quantitative research with potentially testable hypotheses about the influence of USG funding, relative to other funding sources, and the influence of funding tools on INGOs' autonomy dimensions.

The findings also provide insights as to the mechanism responsible for weakening INGOs' autonomy, i.e., the ex ante and ex post controls, funding conditionalities, as well as differences in ideological approaches to development work between funding sources and INGOs. However, quantitative research is needed to supply sufficient evidence in order to be able to speak to the impact of government funding on INGOs' autonomy dimensions, relative to other funding sources, in quantitative terms. Adopting an alternative methodology beyond the qualitative multiple-case study approach adopted in this study would help confirm the findings in this study. Hence, we would understand the exchange relationships between INGOs and their funders in a new light.

The findings have shown that autonomy need not be treated as a one-dimensional concept; instead researchers need to incorporate and approach autonomy from a multi-dimensional level in order to fully capture and understand the influence funding sources have on nonprofit organizations' autonomy, across different dimensions. This analysis also recommends that future research recognize that, not only is organizational autonomy a multi-dimensional concept, it is also a latent variable, one that is unobservable. The variable is observed through other observable indicators such as the existence of ex ante and ex post controls and conditionalities attached to funding, among other indicators.

That being said, this research encountered tautological challenges while applying Verhoest, Peters et al.'s (2004) dual characterization of autonomy as the possession of actual decision making competencies and also as the presence of autonomy constraints. Arising from these challenges however, was an opportunity to advance alternative ways of conceptualizing autonomy. The findings from this research suggest that the present characterization of autonomy as both the decision making competencies and constraints may create model specification problems. As a result, if we are to understand the nuances of organizational autonomy, it may be pre-emptive to be very clear about the separation between organizational autonomy as the possession of actual decision making competencies, and the mechanisms that constrain those decision making competencies. In other words, we need to explicitly establishing the premise that one leads to the other.

Given the exclusion of INGOs country offices in this study, future qualitative and quantitative research might extend the government-INGO autonomy discourse to include INGOs' country offices since these are the official implementing arms of U.S.-based

INGOs. Extending research to focus in this implementation environment or context would provide further insight on how funding and tools impacts INGOs' autonomy.

This analysis also finds some evidence to suggest a negative link between funding, INGO autonomy, and the effectiveness of their programming operations. In other words, INGOs' autonomy could be regarded as intervening variables between funding and INGOs' effectiveness. Future research therefore might need to extend the question of INGO autonomy to include questions about INGO effectiveness, as a function of their funded relationships.

8.4 Conclusions

What do these findings mean for understanding INGO-government exchange relations, as well as for understanding INGO autonomy?

First, the findings suggest that funding can be used as a conduit to transmit preferences, priorities and values that are of importance to a donor. As such, INGO grantees need to be cognizant of the controls and signals inherent in different funding sources and funding tools, as well as understand what that means for their work. As the relief and development experts, INGOs need to be cognizant of the extent to which different funding sources and tools yield or undermine their actual decision making powers pertaining to program designs and implementation. Such awareness would help INGOs assess the value of their exchange relationships, vis-à-vis, the degree to which they remain innovative, responsive and are able to maintain their credibility in the political economy; or the degree to which each unique funding environment embodies and promotes these values.

Given the strong foreign policy orientation of USG funding, the findings also suggest a need to maintain some “distance” between funders, in particular, government and INGOs. As long as INGOs continue to be recognized as the official implementing partners of USG policy objectives, a careful assessment of the “development” integrity of the policy objectives INGOs implement is therefore necessary. Failure to do so on the part of INGOs might seal their fate as mere appendages of government, thus undermining their credibility as entities that are separate from government.

In the words of Carol Lancaster as she commented on the USAID’s reorganization under the Department of State, “distance is important to retain some degree of autonomy for development mission,” as well as for the credibility of that mission. From resource dependence perspective, a high dependence on government funding or any one funder may indicate a reduction in this distance as INGOs adapt themselves to the providers of the particular resources they seek.

The findings also suggest a need for INGOs to be savvy and prudent in their choice of funding tools and contract negotiations. Each funding mechanism utilized by government influences INGOs’ autonomy dimensions in some way. As a result, the debate can no longer be about who should implement foreign assistance programs, but about understanding the types of implementing instruments INGOs should be accepting (Shaikh and Casablanca 2008) and the implications of each of these instruments on INGOs’ capacity to make autonomous decisions.

To emphasize the purposiveness of tool choices, a 2007 HELP Commission (a bipartisan collaboration of foreign assistance experts appointed by President Bush and Congress), found that the use of grants where contracts would have been appropriate,

actually weakened program effectiveness (Shaikh and Casablanca 2008). This suggests that the tool of choice employed by the USG also has major implications for the effectiveness of INGO operations and programs. However, it is important to know how “effectiveness” is being defined and assessed in this case, lest this argument is used to support government’s adoption of contracts as the key funding mechanism, in place of far less coercive tools like grants.

In conclusion, in the words of BETA’s VP of Global Support,

Organizational autonomy should be a concern for any organization because what allows us to do our work; to go into communities where we work, particularly in difficult situations where there is conflict... it is our autonomy and... our impartiality (that allow us access). And if we are seen to be too closely aligned with any government or any faction, then we are going to be targeted, we are going to be seen as political or having an agenda outside of poverty reduction, helping the poor, which we don’t want. Our agenda is poverty alleviation and therefore our autonomy is essential for us to achieve that.

APPENDIX 1

U.S. FOREIGN AID POLICY TIMELINE

TIME	ADMINISTRATION	U.S. FOREIGN AID POLICY EVENTS & CHANGES
Before the 19 th Century		Congress viewed foreign aid as inappropriate & unconstitutional
End of the 19 th Century		Assistance to improve public health, public works, education to U.S. military occupied countries (e.g., Cuba – after the Spanish-American War; Haiti; Dominican Republic; Nicaragua); Public aid for relief widely accepted & provided
Prior to WWII		Small amounts of Technical Assistance to Latin American countries
Post-1945	Pres. Truman & Marshall (Sec. of State)	1947: Foreign aid as a diplomatic tool – initiated in response to the nascent Cold War in Europe U.S. offered aid to Greece & Turkey to resist the Soviet Union Result: (1) \$400 million for Greece & Turkey; (2) Marshall Plan - \$13 billion, 4-yr program to heal spur economic stabilization & recovery in Europe Motivation: Diplomatic concerns vs. the threat of Communism & humanitarian and commercial concerns – latter would have been insufficient to convince Congress 1949: Truman's "Point Four" program of technical assistance (small, temporary, justified by diplomatic reasons – to stop the spread of communism Two Events: Communist revolution in China (1949) & North Korea invasion of S. Korea (1950) – led to prolongation & geographical spread of U.S. Foreign Aid
1950s – 1960s		1950s: A Reorientation of U.S. Aid 1953: Pres. Dwight Eisenhower's agenda to curtail foreign aid BUT aid too useful to eliminate Other trends: the efficacy of aid to "buy" Cold War alliance questioned by Congress (both sides) 1954: new initiatives added to a Food Aid Program (Public Law 480 or PL480) – transfer of US agricultural surplus abroad – these proved uncontroversial; INGOs managed food aid programs 1957: separation of economic from military assistance – creation of Development Loan Fund (DLF) – provides concessional credit to development countries (those in proximity to Soviet influence); 1958: International Development Association (IDA) created - a World Bank soft loan window; InterAmerican Development Bank – for Central & S. American Influential Trends: (1) Increasing importance of developing countries; (2) growing view among US policy makers – support economic & social programs to shape outcome of Cold war vs. aid to stabilize their economies; (3) Growing Soviet's positive view of the importance of poor countries – offer aid and technical assistance to Afghanistan, Burma, the 1957 successful launch of the Sputnik –caused alarm in Washington Walter Rostow's (MIT) Theory of Development & Modernization: like Senator Fulbright promoted the use of aid for LT development to prevent the support of radical doctrines such as communism (Rostow's access to senior officials in the Eisenhower administration – enabled him to influence aid policies)
Post-1960	John F. Kennedy	1961: JF Kennedy – vision for economic assistance to less-developed nations; launch a "Decade of Development" Motivation: Development as Diplomacy - promotion of development as an establish US Foreign priority Outcomes: (1) Alliance for Progress for Latin America (a product of fear of the Marxist regime of Fidel Castro & communism into the Western Hemisphere) – to promote modernization, development, democracy; 1960: \$157 million (5% of US aid), 1964: \$989 million (25% of US aid); (2) Initiatives in Africa (much of Sub-Saharan Africa gained independence – 1960: \$38 m, 1964: \$220 m); pressured W. Europe and Japan to promote aid development abroad; Creation of Peace Corps – to send to developing countries to help with technical assistance, training and management of small projects; active role in Development Assistance Committee (DAC); proposed that the UN proclaim the 1960s as first Decade of Development; Unification of the Development Loan Fund & the International Cooperation Agency into a single new agency: Agency for International Development (USAID)
1963 – 1975	Johnson, Nixon, & Ford	1963-67: Johnson – continued criticism of foreign aid; decline of threat of communism & Soviet Influence to L. America & Sub-Saharan Africa; a rise in aid to Cambodia, Vietnam, Laos as a result of war; Owing to criticisms of aid, "Perkins Committee" formed – as the General Advisory Committee on Foreign Aid to study foreign aid; Recommendation – to channel funds through multilateral development banks, as a means of reducing the diplomatic element in aid allocations

		<p>1970: Nixon – (per Congress’ request) requested the “<i>Peterson Report</i>” – Recommendation: US multilateral institutions become the major channel for development assistance. Nixon’s plan to increase distance between development and diplomatic purposes of aid – proposed the elimination of USAID, the formation of 3 separate agencies (an International Development (ID) Bank to manage aid loans; ID Institute for research and technical assistance; ID Council to coordinate trade, finance, and investment policies) – Congress decline proposal as too radical; “emphasized the humanitarian aspect of foreign aid” in 1969 – thus elevating the development purpose of aid as an important end; increase in amount of aid to multilateral aid agencies – such as the WB</p> <p>1974: Ford (1) Sahelian Drought- suffering in Ethiopia, floods in Bangladesh widely reported in US media – 1974-75 US food aid doubled & tripled in Bangladesh. Several INGOs e.g. Bread for the World became advocates for aid to help the hungry;</p> <p>(2) 1973: Yom Kippur War – Egypt & Syria’s attack of Israel, threat of Soviet to aid Egypt, aid for “peacemaking” diplomacy</p>
1977 – 1980s	Carter-to-Regan	<p>1970s: Chicago Council on Foreign Relations-sponsored Polls – 1974: 8% viewed world hunger as an important issue, 18% thought cutting foreign aid was a high priority, 1978: 59% thought combating hunger should be among US foreign policy goals; 1979: 16% thought hunger an important issue, 1% viewed cutting foreign aid as a priority</p> <p>1977: Carter – brought 2 things: (1) emphasis on human rights & (2) negotiation of the Camp David Accords between Israel and Egypt – formalized peace agreement; Human Rights – a fundamental tenet of U.S. Foreign policy- aid through international financial institutions – WB – conditioned on Human rights performance. Approx. \$2 billion/year in aid for Israel & Egypt; US dualistic aid program had strong diplomatic orientation (evident in major US aid recipients) combined with significant development purposes (esp. Sub-Saharan Africa). Development purposes: played the key role in decisions on the use of aid in both diplomatically and developmentally important countries</p> <p>1981: Reagan – most ideologically conservative regimes – expected to reduce US aid; Director of new Office of Management & Budget, proposed to terminate US contributions to IDA; (1) Ethiopian Famine 1984-5 met with public outcry for US to act – increase in aid to Sub-Saharan Africa; (2) Marxist-oriented Sandinista revolution in Nicaragua & civil war in El Salvador – aid used to fortify existing government</p> <p>Result: increase in the volume of US aid in Africa, C. America in the 1980s (1989: US aid = \$10 billion, 30% higher than it was in 1980)</p>
1990s	Bush & Clinton	<p>1990s: End of Cold War & hence end of rationale for foreign aid; development purpose also weakened as a result of the erosion of the confidence of the effectiveness of aid in furthering development; the emergent of new purposes for aid</p> <p>1989: G.H.W. Bush: Aid for Political & Economic Transitions in response to new noncommunist governments forming in Poland, constitutional changes in Hungary, Fall of the Berlin Wall, Velvet Revolution in Czechoslovakia & the execution of Rumanian Communist dictator Nicolae Ceausescu & his wife. Aid to help nations in transition for new countries emerging from the former Soviet Union</p> <p>Early 1990s: Aid for Democracy Promotion as demand for multiparty elections and greater democracy spread in Sub-Saharan Africa – Dept of State & USAID developed democratic centers/bureaus; Aid to Address Global Problems – USAID’s Global Affairs Bureau – attention on environment, international health – esp. impact of HIV/AIDS – US funding prevention and research programs; Civil Conflicts – resulted in post-recovery support (Balkans, Haiti, Cambodia, Sierra Leone, Liberia, Sri Lanka, Indonesia, Angola, East Timor)</p> <p>Clinton Administration: efforts to cut the federal budget & republicans’ efforts to cut the size of government; reaction from the development-oriented INGOs, some business groups & elements in the Foreign policy community – led to an ease in the budget cuts; Mrs. Clinton supported development purpose. 1997: InterAction “Just 1%” campaign to inform the American public & persuade Congress</p>
2000s	W. Bush	<p>21st Century Aid: Several dramatic changes to the US foreign aid: -</p> <p>March 2002: Pres. Bush announced a \$5B annual increase in aid for development to be achieved by 2006 Millennium Challenge Account (MCA) – specifically for development, aid linked to greater accountability demands & funds managed by new aid agency: Millennium Challenge Corporation (MCC) & were provided to democratic governments;</p> <p>Sept 2002: White House published a <i>National Security Strategy for the United States of America</i>: - asserted that the US would use force to counter threats to its security & also elevation of development as one of 3 priorities of US foreign policy (along with defense & promotion of democracy);</p> <p>Early 2003: additional \$15B boost in aid over 3 years announced to fight HIV/AIDS;</p> <p>Bush Administration – US aid risen as one of the fastest rates in the history of US aid-giving (40% (01-05)), not counting aid for emergencies to Iraq & Afghanistan; This driven by 9/11 events; increased pressure from Christian groups to increase aid for humanitarian purposes abroad; A “compassionate conservative” president</p>

APPENDIX 2 INFORMED CONSENT FORM

Georgia State University Department of Public Administration and Urban Studies Informed Consent

Title: Government Funding and NGO Autonomy: From Resource Dependence and Tool Choice Perspectives

Principal Investigator(s): Professor. Dennis R. Young (Principal Investigator)
Grace Lyness Chikoto (Student PI)

Sponsor: N/A

I. Purpose:

You are invited to participate in a research study. The purpose of this study is to investigate the relationship between government funding and NGO autonomy, in hope to understand the extent to which a funder can influence the ways in which NGOs behave. The study also hopes to understand the strategies NGOs use to retain their autonomy. You are invited to participate in this study because of your experience in and knowledge of the NGO environment. A total of 30 participants will be recruited for this study. Participation will require approximately 45 to 60 minutes of your time for a one-time, in-person interview, unless a follow-up telephone interview is required.

II. Procedures:

If you decide to participate, you will be interviewed in-person. The interviews will be taped and listened to later by the interviewer. The tape however will not be shared with anyone outside of the study and will be destroyed at the end of the study. In the case that some of the information we gather from you during the in-person interviews turns out not be clear, there is a possibility that we may follow up with a telephone interview in order to clarify some information with you. Please be advised that by signing this consent form, you are agreeing to have us ask you for a follow-up telephone interview, in case one is needed.

III. Risks:

In this study, you will not have any more risks than you would have in a normal day.

IV. Benefits:

Participation in this study may not benefit you personally. Overall, we hope to gain information about the nature of the relationship between funding and the autonomy of NGOs, as well as, the strategies that NGOs employ to retain their autonomy.

V. Voluntary Participation and Withdrawal:

Participation in this research is voluntary. You do not have to be in this study. If you decide to be in the study and change your mind, you have the right to drop out at any time. You may skip questions or stop participating at any time.

VI. Confidentiality:

We will keep your records private to the extent allowed by law. We will also use pseudonyms rather than your name on study records. Only Dr Dennis Young and Grace Chikoto will have access to the information you provide. The tapes will be stored at Grace Chikoto's home office in a locked cabinet and will be destroyed at the end of the study. The transcribed information will be stored on a Georgia State University-assigned private drive, on a secure, password and firewall-protected computer. Your name and other facts that might point to you will not appear when we present this study or publish its results. The findings will be summarized and reported in group form.

VII. Contact Persons:

Call Professor. Dennis Young at (404) 413-0126 or paddry@langate.gsu.edu and Grace L. Chikoto at 404-918-2420 or padglcx@langate.gsu.edu, if you have any questions about this study: If you have questions or concerns about your rights as a participant in this research study, you may contact Susan Vogtner in the Office of Research Integrity at 404-413-3513 or svogtner1@gsu.edu.

VIII. Copy of Consent Form to Subject:

We will give you a copy of this consent form to keep.

If you are willing to volunteer for this research and be audio taped, please sign below.

Participant

Date

Principal Investigator or Researcher Obtaining Consent

Date

APPENDIX 3

INTERVIEW GUIDE

INTRODUCTORY REMARKS

The dynamic between funding and how non-governmental organizations (INGOs) behave is not fully understood, especially as it relates to the autonomy of INGOs. I am investigating the complex relationship between government funding and the autonomy of U.S. based relief INGOs operating outside of the U.S. In particular, the questions asked in this interview hope to flesh out the multi-dimensional concept of “autonomy,” (BY THIS I MEAN INDEPENDENCE TO PURSUE THE SERVICE MISSION OF THE ORGANIZATION) as well as understand the link between different autonomy dimensions and funding. Overall, this interview will help understand the extent to which government funding influences what INGOs do and how they operate?

While your responses are crucial to the understanding of this funded relationship, your responses are entirely confidential, and as such, no individuals will be identified and any organizational identifiers will be deleted at the close of the study. Note that, any comments generated from this interview will not be associated to you personally unless you so choose. Participation in this interview is voluntary and you may choose not to respond, or choose to skip questions you are not comfortable with. I will also share the findings emanating from this investigation with you, if you so wish. Your honest responses, however, are greatly appreciated.

INTRODUCTORY QUESTIONS

1. Could you tell me a little about your position and role with this organization?
2. Tell me a little about the history of your program/organization?
3. What are your organization's (or program's) sources of funding? **PROBE** → Meaning of “Other Sources”

I. RESOURCE DEPENDENCE

1. Which of your funding sources do you consider to be important to the organization?
2. How would your organization (or program) survive without this funding source (**SPECIFY**: *USG; Corporations; Foundations; Other Sources*)?
3. What kinds of government funding does your organization/program get?
4. How important is government funding to your organization?
5. To what extent would your organization survive without government funding?
6. Do you have any new funding sources your organization is currently looking to access?
7. Are there factors that limit you from soliciting funding from particular sources?
8. To what extent do you compete for funding with other INGOs? (How would you characterize the degree of competition?)
9. Who would you consider as your competitors?

II. AUTONOMY OF THE ORGANIZATION

A. Strategic and Operational Personnel Management Autonomy:

1. To what extent does the funding source (**SPECIFY**: *USG; Corporations; Foundations; Other Sources*) influence who you hire for a particular funded project?
2. **PROBE** → In what ways do funding sources try to influence your hiring choices? (*E.g., influencing the appointment; the salaries of personnel implementing funded program; and how they are evaluated*)

[The above questions were not to Executive Staff]

B. Financial Management Autonomy:

3. How does each of the following funding sources (**SPECIFY**: *USG; Corporations; Foundations; Other Sources*) try to influence your organization's allocation and use of funds?

PROBE → In what ways do they try to influence resource allocation and utilizations?

OPTIONAL FOLLOW-UP QUESTIONS →

4. To what extent does your organization or funded program influence how funds are allocated and used? (*E.g., the organization/program makes the determination without interference from funding source; or the funding source makes the determination and you have no say; or the funding source and your agency jointly makes the determination*)
5. To what extent can your organization or funded program make changes to the budget or reallocate funds once the contract agreement is made? (**SPECIFY**: *USG, Corporations, Foundations, Other sources*) (*E.g., shift budget or decide how funds are to be allocated or make alterations to the budget allocation after decisions about how funds are to be spent or allocated have been made*)

C. Policy Autonomy:

Involvement of funders in the decision making about how programs are implemented

6. How do funders try to influence how your organization operates? (**SPECIFY**: *USG; Corporations; Foundations; Other Sources*)
7. In what ways do funders try to exert that influence?
PROBES → To what extent does your organization (or you): -
8. make independent decisions about the type of programs and program activities (**policy instruments**) to be implemented and used (*i.e., the way in which a policy is implemented – e.g., provide free HIV mobile testing*)?
9. make independent decisions about how many people to serve or reach (**desired outputs**) for funded programs (*i.e., the number of people to be served by the program; the number of services provided; or 'units of service'*)?
10. make independent decisions about who you serve (**desired target groups**) (*i.e., those groups for whom the policy is intended to address – e.g., HIV-positive women*)?

11. To what extent does the funding source make these decisions in collaboration with you? *(E.g., the agency makes the decisions with no involvement from the funding source; or slight involvement; or after having explicitly consulted the funding source; does so under explicit conditions or under restrictions set by the funding source; or the funding source makes the decisions after having consulted the organization or makes decisions independent of the organization or funded program?)*

III. STEERING AND CONTROL OF THE ORGANIZATION BY DONOR

A. Ex post Control:

Document in which goals of the organization are specified [CONDITION OF RD]

1. In what ways do funders/donors influence the goals of your organization/programs?
2. How are these goals for the funded program communicated? *(e.g., through specific documentation or through the grants, contracts or cooperative agreement or via a budget allocation or letter of allocation from the funding source?)*

Involvement of the organization in the setting of goals (other than purely financial)

3. Who determines the goals that your organization or funded programs pursue? *(e.g., Your organization or program determines the goals after consulting the funding source, or the funding source sets the goals by a process of negotiation or cooperation, or the funding source sets the goals after consulting the organization or program or that the funding source sets the goals independent of your organization?)*
4. What part do you or your organization play in determining the goals of funded programs?
5. Once a contract is drawn, how much say do you have in changing the set goals?

IV. PERCEPTIONS OF GENERAL ADMINISTRATIVE RED TAPE

Administrative burden resulting from complying with evaluation or performance requirements:

1. Is there any Red Tape (*"Rules, regulations, and procedures that remain in force and entail a compliance burden for the organization but have no efficacy for the rules' functional object"* (Bozeman 1993) or *burdensome administrative rules and procedures that have negative effects on your organization's effectiveness* (Rainey, Pandey & Bozeman 1995)) associated with the funding your organization receives from any of your funding sources? If yes, would you describe it?
2. **PROBE →** To what extent do you feel that the resources available for implementation are constrained by the assessment and reporting requirements of the funder? (**SPECIFY:** *USG, Corporations, Foundations, Other sources*)
3. To what extent do you feel that your organization is being watched or the organization's contractual compliance is being monitored by any of your funding sources (**SPECIFY:** *USG, Corporations, Foundations, Other sources*)
4. What limitations do you face when trying to comply with the rules and regulations of your different funding agreements?

V. INFLUENCE OF GRANTS, CONTRACTS, & COOPERATIVE AGREEMENTS

1. Does the tool or mechanism through which funding is provided influence how a funded program is implemented? If yes, in what ways? (**SPECIFY:** *Grants, Contracts, Cooperative Agreements*)
2. How do corporations and foundations transfer funding to your organization or program? (*e.g., through contracts, cooperative agreements, or grants?*). **If through contracts or grants**, how different are these tools from those used by government?
3. Which of these tools do you find most restricting? If so, in what ways?
4. Does the degree of restrictiveness vary with different funding sources?
5. Which of the following funding tools/mechanisms do you prefer and why? (**SPECIFY:** *Grants, Contracts, Cooperative Agreements*)

[Questions in Section V above were not asked to Executive Staff; with the exception of Question 5.]

VI. STRATEGIES FOR RETAINING AUTONOMY

1. What factors do you consider when deciding to solicit funding from different sources? (How do you determine which RTF to respond to? Walk me through the process?)
2. Can you walk me through the process of soliciting funding from (1) *USG*; (2) *CORPORATIONS*; (3) *FOUNDATIONS*; (4) *OTHER SOURCES*?
3. How many RTFs have you turned down and why?
4. What strategies do you employ to retain autonomy within the organization/program? (**SPECIFY:** *USG; CORPORATIONS; FOUNDATIONS*) →**PROBE**

VII. ADDITIONAL QUESTIONS FOR HIGH LEVEL STAFF

A. Structural Control

[Qs on Presence of governing board; Who appoints board members; Composition of board; Appointment of CEO; Type of contract of CEO; Who evaluates the CEO; Basis of accountability for CEO]

1. How would you characterize the BOD's relationship with the different funding sources? (**SPECIFY:** *USG, Corporations, Foundations, Other sources*)

PROBES →

2. Does the BOD influence which funding sources you solicit? **PROBE →**How much influence does the board have in selecting the funding sources the organization solicits?
3. Does the BOD have any influence when it comes to the organization's relationship with each funder?
4. Is the BOD engaged in the evaluation of funded programs in any way?
5. Do any of the funding sources exert any influence through the decision-making bodies (*e.g., Board of Directors, CEO*). If so, in what ways?
6. How much influence do you have in selecting funding sources to solicit?

APPENDIX 4

CONSTRUCTION OF IMPACT CONTINUUMS

In order to illustrate the perceived impact of funding on INGOs' autonomy, by funding source and tool, this research constructed different continuums (shown in Figures 6 and 7) and a cross-tabulation of the perceived influence of different funding sources and tools on INGOs' operational and managerial autonomy dimensions (shown in Table 15). The general idea here was to provide a visual illustration of the magnitude and direction of the influence of USG funding on INGOs' autonomy relative to other funding sources, as well as the influence of funding tools. While the continuums and cross-tabulations provide a visual for the reader, it is important to articulate how these were constructed.

Since this study is framed within the resource dependence and tool choice approaches; the interview questions used were generated with these theoretical frameworks in mind. As shown in Appendix 3, the interview guide included questions on INGOs' autonomy steering and control of the INGO by donors and the influence of grants, contracts, and cooperative agreements. The responses to these questions helped to gauge INGO's experiences with different funding sources and tools, thus providing the information used to construct these continuums and cross-tabulation.

While the researcher's judgment plays a role in selecting points of placement for each of the funding sources relative to others, the general direction and magnitude of the relationships were guided by various statements from participants across all three INGOs. For example, in trying to confirm the relationship between funding tools and INGO autonomy, I conducted a text search for the word "contracts." NVIVO highlighted every

time the word “contracts” was used. By so doing, I was able to understand under what contexts and conditions the term was used and what was uttered pertaining to contracts.

I was also able to identify when comparisons were made between contracts and other tools. I conducted similar searches for grants and cooperative agreements in order to fully understand their relationships with one another and their link to the autonomy dimensions, as well as text searches for each of the funding sources. As a result, the graphical illustrations and cross-tabulation were constructed based on participants’ experiences with each of the funding sources and funding tools. The following are examples of statements that were instrumental in the construction of Figure 6, Figure 7 and Table 15. The statements typically expressed participants’ experience with either USG funding relative to other funding sources or contracts, relative to other funding tools.

COMPARISON OF FUNDING SOURCES	COMPARISON OF FUNDING TOOLS
<p>The USG tries to influence, sure they do, and other donors may – (but) mainly the USG. More and more, there is a great deal of bureaucracy in the government. Years ago, it used to be you address the needs of the people and if you can show that the food or the cash went to the people or this looks very good – it was considered a success, if you achieved your goal. Today it’s a lot of paperwork, it’s more and more paperwork instead of the 20-page, it’s a 100-pages in proposal; it’s just become onerous and a lot of people don’t want to touch food aid anymore, they don’t want to touch some of the other kinds of aid that the government gives. (CEO, SIGMA)</p> <p>I think that donors, in particular, governments have specific policies interests that they want to pursue and we need to be conscious about those. (Dir. Humanitarian Assistance, BETA)</p> <p>Foundations are the highest (more restrictive); I would say the government is the highest, then Foundations, then Corporations, and then private individuals.... I can tell you that from a foundations side, it really is to me, like the blend of working with government and working with the private individual or corporation because you have – foundations have to give their money away, but you also working across the table with other program experts. (VP External Relations, BETA)</p> <p>Compare(d)... to a corporation where with a corporation you might be working with a head of a foundation, but the corporation doesn’t understand our work as much – there is this huge educational background, just really educating them about the work that we do... With an individual, it’s a private thing;</p>	<p>But contracts are more kind of more controlled – you need more probably more monitoring on a contract for compliance; both need certain controls and compliance but it’s a little more – necessarily under a contract I would say. (CEO, ALPHA)</p> <p>Probably the contracts (are more restrictive), the grants are a little easier and especially if they are from the private sector and from the private sector, there is more understanding of what goes on. For example, if you have two organizations funding the same project in the private sector (of an) organization, (both of them would) say just extend the program, add to it or so, with government, this is not possible – (it’s just the one) source basically. I don’t know, I would say that contracts are a little more difficult. (CEO, SIGMA)</p> <p>If it’s a contract, it’s no different than you hiring a plumber to put a sink in your house. The plumber may come to you and say, well here is the kind of sink – here is the model that you should use and you go well, ok or you go – no I want that sink. But the contract is basically saying that you do it this way no matter what so that is certainly the difference. (Dir. of Food Programs, BETA)</p> <p>A grant is an instrument that denotes it is given to an implementing partner to support a program for a public purpose. A contract is an acquisition instrument where the USG purchases goods or services and when you sign a contract with the USG, you enter a client-service provider relationship. So we have to take the USG as our client and our number one responsibility is to provide service to them. A</p>

<p>people are inspired personally to give to CARE; it's not like a foundation were they have to give it away or like a Corporation were they kind of what to be socially responsible. (VP External Relations, BETA)</p> <p>(With corporate funding), most of their rules and regulations is how we spend that funding... a lot of times it's the expectation of how we spend down the grant. It's spending and impact. (VP External Relations, BETA)</p> <p>Corporate funding... I can tell you that, we have had in some cases, just an exchange of letters, we've had in other cases, a one-page contract, and other times maybe a 3-page, maybe 4-page contract. It's mixed, but it's really interesting because you don't have all the paperwork usually that you do with the government. (CEO, SIGMA)</p> <p>The former director of USAID... said to the NGOs that if you are going to get USAID funds and get government money, then increasingly your objectives are going to have to be consistent with the objectives of US Foreign Policy – and I think it was less so in the past – so it's kind of looking at USG funding as an instrument of US foreign policy. (Internal Auditor, BETA)</p> <p>More and more the government is issuing RFP (contracts) saying, “this is what we want done, do you want to do it? (Secretary of the Board, BETA)</p> <p>The ABC concept of HIV/AIDS – you can't use PEPFAR money to buy condoms.... we went to the country director for Uganda and said that we know there is money for Uganda for HIV/AIDS... and the country director said, frankly, I cannot promote the no use of condom, I just cannot do it. (Program Director, ALPHA)</p>	<p>contract is a different type of relationship – BETA is not completely comfortable with that relationship so we are very careful about the types of circumstances under which we will get into that. (Dir. of Competitive Bids, BETA)</p> <p>We will take contracts, and but we watch and look at those contracts and the specifications in them very carefully and we have turned and we will turn down contracts that say, you must do – that are either ill-defined in terms of the actions that you are going to bring forward or it states that the USG official at the level will tell you what to do with these monies and we usually say, no, thanks, but no thanks on those because they define in a way that we are not comfortable with the actions to move forward. (VP of International Programs, ALPHA)</p> <p>Right now Plan does not do any government contracts, only grants and cooperative agreements... you have Contracts – when the government contracts someone to do something, they are essentially given them a task – for a certain price...(Dir. of Grants and Compliance, ALPHA)</p> <p>Also contracts tend to be larger; and sometime we feel we don't have the capacity to handle \$200 million project in a little country. And there are a lot of stricter requirements such as the way you pay people and all sort of staff. Then you have... grants – whereas grants really are just “conditional gifts” – we want to give you some money, yeah of course, we want you to tell us what you are going to do with it but we are not really going to have any oversight or anything (Dir. of Grants and Compliance, ALPHA)</p>
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Figure 6, 7 and Table 15, are therefore designed to showcase of the presumed impact of USG funding on INGOs' autonomy, relative to other funding sources, and the presumed impact of contracts, relative to cooperative agreements and grants. Aside from the visual aesthetics of these figures and table, an additional utility to the continuums is that they provide future quantitative research with potentially testable hypotheses about the influence of USG funding relative to other funding sources and the influence of funding tools on INGOs' autonomy dimensions.

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